
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Victory City International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF FGG SHARES;**
- (2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION; AND**
- (3) PROPOSED CONNECTED TRANSACTIONS IN RELATION TO PROVISION OF GUARANTEES**

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



Halcyon Capital Limited

A letter from the Board is set out on pages 14 to 37 of this circular. A letter from the Independent Board Committee is set out on pages 38 to 39 of this circular. A letter from Halcyon Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 85 of this circular.

A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

18 June 2014

* For identification purposes only

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DEFINITIONS

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

“Acquisition”	the sale of the Target Shares by FGG to Sure Strategy pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 14 March 2014 entered into between FGG and Sure Strategy in relation to the sale and purchase of the Target Shares
“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 the Company 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 Latest Practicable Date
“Board”	the board of Directors
“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

DEFINITIONS

“CIT”	The CIT Group/Commercial Services, Inc., an independent third party to the Group and FGG 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 the Company 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 the Company 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)
“Company”	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)
“DBS”	DBS Bank (Hong Kong) Limited or DBS Bank (Hong Kong) Limited, Macau Branch (as the case may be)
“DBS Facilities”	DBS-FGI Facilities and DBS-VP Facilities

DEFINITIONS

“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 the Company 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 the Company 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
“Directors”	director(s) of the Company from time to time
“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 direct wholly-owned subsidiary of FGG as at the Latest Practicable Date
“FG International”	Ford Glory International Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of FG Holdings

DEFINITIONS

“FGG”	Ford Glory Group Holdings Limited (stock code: 1682), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“FGG Circular”	the circular of FGG dated 18 June 2014
“FGG Directors”	director(s) of FGG from time to time
“FGG Group”	FGG and its subsidiaries
“FGG Group Reorganisation”	the proposed reorganisation of the FGG Group, pursuant to which, among other things, (i) the FGG Remaining Group will comprise the FGG Remaining Group Entities, and the FGG Remaining Group will be principally engaged in the Garment Sourcing Business upon completion of the FGG Group Reorganisation; and (ii) the Target Group will comprise the Target Group Entities, and the Target Group will be principally engaged in the Manufacturing Business upon completion of the FGG Group Reorganisation
“FGG Remaining Group”	the FGG Group but excluding the Target Group
“FGG Remaining Group Entities”	FGG, Best Keen, United Gainer and Top Value
“FGG 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 Latest Practicable Date
“FGG Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of FGG
“Garment Sourcing Business”	the principal business to be carried out by the FGG Remaining Group upon completion of the FGG Group Reorganisation and the Acquisition, which mainly comprises of the comprehensive range of sourcing management services and expertise, including product design and product development, sampling, product offering, garment sourcing, sub-contractor outsourcing, logistics and delivery and overseas sales capabilities, which are currently carried out by FG International and Top Value
“Group”	the Company and its subsidiaries

DEFINITIONS

“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 Purchaser
“HK\$”	Hong Kong dollars, the lawful currency of 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 of the FGG 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
“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 the Company for HK\$127,000,000 in favour of Hang Seng to secure the HS-FGI Facilities in place of HS-FGG-FGI Guarantee

* For identification purposes only

DEFINITIONS

“HS-VC-VP Guarantee”	the deed of guarantee to be given by the Company 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 the Company 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 the Company 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 purchasing line offered by HSBC to Value Plus on 16 April 2014

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Share Sale, the Acquisition and the Proposed Connected Transactions
“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
“Independent Shareholders”	Shareholders, other than Shareholders who are involved or interested in the Share Sale, the Acquisition, the Proposed Connected Transactions and the transactions contemplated thereunder (i.e. Shareholders other than Mr. Choi, Mr. Chen and Mr. Li and their respective associates in respect of the Share Sale and the Acquisition; and Shareholders other than Mr. Choi and his associates in respect of the Proposed Connected Transactions)
“IoT”	Internet of Things, refers to the technology in connecting the devices, systems or services together, allowing them to gather information in their own means, changes their own internal states and exchange information among themselves in the absence of human interactions. Internet of Things can be widely adopted in different aspects, such as video surveillance system to alert for any potential thefts, or traffic monitoring system to provide messages and diversions according to the physical situation
“Joint Announcement”	the joint announcement of the Company, FGG and the Purchaser dated 7 May 2014 in relation to, among other things, the Share Sale, the Acquisition and the Proposed Connected Transactions
“Last Trading Date”	14 March 2014, being the last full trading day immediately prior to suspension of trading in the FGG Shares and the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	13 June 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Lenders”	DBS, Hang Seng, HSBC, CITIC, Wing Hang and ANZ
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Long Stop Date”	30 June 2014 (or such later date as the Purchaser and the Vendors may agree in writing)
“Manufacturing Business”	the principal business to be carried by the Target Group upon completion of the FGG Group Reorganisation and the Acquisition, which mainly comprises the manufacturing and sales of garment products by the Target Group’s self-owned factories in the PRC and Jordan, and leased factories in Indonesia and Cambodia based on design and specifications provided by customers
“Merlotte Enterprise”	Merlotte Enterprise Limited, a company incorporated in BVI with limited liability and wholly-owned by Mr. Choi
“MOU”	the non-legally binding memorandum of understanding entered into between Sure Strategy and the Purchaser on 18 December 2013
“Mr. Chen”	Mr. Chen Tien Tui, the chief executive officer of the Company, an executive Director, a non-executive FGG Director, and an ultimate beneficial owner of 3,821,080 FGG Shares as at the Latest Practicable Date
“Mr. Choi”	Mr. Choi Lin Hung, an executive Director, the chairman and chief executive officer of FGG, an executive FGG Director, and a beneficial owner of the entire issued share capital of Merlotte Enterprise and 49% interest in Sure Strategy as at the Latest Practicable Date
“Mr. Li”	Mr. Li Ming Hung, the chairman of the Company, an executive Director, a non-executive FGG Director, and an ultimate beneficial owner of 3,789,440 FGG Shares as at the Latest Practicable Date
“Mr. Ng”	Mr. Ng Tsze Lun, an employee of FGG Group and a brother of Mr. Ng Tze On (an executive FGG Director) and a beneficial owner of 53,341,000 FGG Shares as at the Latest Practicable Date
“Option Undertaking”	the irrevocable undertaking given by Mr. Ng on 14 March 2014 to (i) exercise no less than 2,261,740 FGG 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 or any other offer and/or proposal to be made by the Purchaser in respect of such number of his FGG Shares.

DEFINITIONS

“Other Target Group Entities”	the entities of the FGG Group except for the FGG Remaining Group Entities, FG Holdings, FG International and Value Plus
“PRC”	the People’s Republic of China (for the purpose of this circular, 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 the Company 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 Connected Transactions”	the proposed provision of financial assistance by the Company to FG International and Value Plus under the Guarantees
“Purchaser” 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
“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 is expected to be on or around 16 July 2014
“Sale Shares”	320,000,000 FGG Shares to be acquired by the Purchaser 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)
“SGM”	a special general meeting of the Company to be convened to seek the approval of the Independent Shareholders in respect of the Share Sale, the Acquisition, the Proposed Connected Transactions and the transactions contemplated thereunder

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Sale”	acquisition of the Sale Shares by the Purchaser 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 Purchaser 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 Purchaser and the Vendors may agree in writing
“Special Cash Dividend”	subject to, among other things, and following completion of the Acquisition, the proposed cash dividend of HK\$0.720 per Share totalling HK\$366,359,040 based on 508,832,000 FGG Shares in issue as at the Latest Practicable Date to be declared and distributed by FGG to the Qualifying FGG Shareholders on a pro rata basis
“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
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Group”	FG Holdings and its subsidiaries, but excluding Top Value

DEFINITIONS

“Target Group Entities”	the entities of the FGG Group (except for the FGG 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 (Shenzhen) International Limited*) and Mayer Apparel Limited (a company which FGG is interested in as to 51%)
“Target Shares”	the entire issued share capital of FG Holdings
“Top Value”	Top Value Inc., a company incorporated in the U.S. with limited liability and a wholly-owned subsidiary of FG Holdings as at the Latest Practicable Date
“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 Latest Practicable Date

* For identification purposes only

DEFINITIONS

“Value Plus”	Value Plus (Macao Commercial Offshore) Limited, a company incorporated in Macau and an indirect wholly-owned subsidiary of FGG as at the Latest Practicable Date
“VC” or “the Company”	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 as at the Latest Practicable Date
“VC Entities”	the entities of the Group including Best Linkage (Macao Commercial Offshore) Limited, Best Color Development Limited, Billion Colour Investment Limited, Grace Link Enterprises Limited, Victory City Company Limited, Champion Fortune Asia Limited, Elite Sound Investment Limited, Victory City Overseas Limited, Victory City (China) Holdings Limited, Golden Zone Enterprises Limited, Sun Glory Developments Limited, Global Honour Investments Limited, 江門市冠達化工科技有限公司 (Jiangmen Guan Da Chemical Technology Co., Ltd.*), (a company which the Company is interested in as to 90%), 江門市新會區冠華針織廠有限公司 (Jiangmen Xinhui Victory City Co., Ltd.*), 江門市新會區揚名針織廠有限公司 (Jiangmen Xinhui Yang Ming Co., Ltd.*), 江門錦豐科技纖維有限公司 (Jiangmen Kam Fung Fibre Technology Co., Ltd.*), 江門豐華針織廠有限公司 (Jiangmen Fung Wah Co., Ltd.*) and 南京新一棉紡織印染有限公司 (Nanjing Synergy Textiles Limited*)
“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 wholly-owned subsidiary of the Company
“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

* For identification purposes only

DEFINITIONS

“WH-VC Guarantee”	the guarantee to be given by the Company 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

LETTER FROM THE BOARD



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

Executive Directors:

Li Ming Hung (*Chairman*)

Chen Tien Tui (*Chief Executive Officer*)

Lee Yuen Chiu Andy

Choi Lin Hung

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Kan Ka Hon

Phaisalakani Vichai

Kwok Sze Chi

Head Office and Principal Place of

Business in Hong Kong:

Unit D, 3rd Floor

Winfield Industrial Building

3 Kin Kwan Street

Tuen Mun

New Territories

Hong Kong

18 June 2014

To the Shareholders

Dear Sir or Madam,

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO THE DISPOSAL OF FGG SHARES;**
**(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO THE ACQUISITION; AND**
**(3) PROPOSED CONNECTED TRANSACTIONS IN RELATION TO
PROVISION OF GUARANTEES**

INTRODUCTION

Reference is made to Joint Announcement. On 14 March 2014, Sure Strategy, Merlotte Enterprise, Victory City Investments and the Purchaser entered into the Share Sale Agreement, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being the aggregate interest of 320,000,000 FGG Shares held by the Vendors, representing approximately 62.89% of the entire issued share capital of FGG as at the Latest Practicable Date and approximately 61.56% of the entire issued share capital of FGG on a fully-diluted basis (assuming all

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LETTER FROM THE BOARD

outstanding FGG share options have been exercised) as at the Latest Practicable Date, at an aggregate consideration of HK\$258,560,000, representing HK\$0.808 per Sale Share. The Share Sale Agreement is conditional upon, among other things, completion of the FGG Group Reorganisation and completion of the Acquisition.

On 14 March 2014, FGG and Sure Strategy entered into the Acquisition Agreement pursuant to which Sure Strategy conditionally agreed to acquire and FGG conditionally agreed to dispose of the Target Shares, which represent the entire issued share capital of FG Holdings, at the consideration of HK\$270,000,000. Upon completion of the Acquisition, the Special Cash Dividend of HK\$0.720 per Share totaling HK\$366,359,040 based on 508,832,000 FGG Shares in issue as at the Latest Practicable Date is proposed to be declared and distributed by FGG to the Qualifying FGG Shareholders on a pro rata basis. The payment of the Special Cash Dividend is conditional upon, inter alia, completion of the Acquisition and the share premium cancellation of FGG becoming effective.

Furthermore, the Company 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.

The purpose of this circular is to provide you with, among other things, (i) details of the Share Sale Agreement and the Acquisition Agreement; (ii) details of the provision of the Guarantees; (iii) the letter of recommendation from the Independent Board Committee; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Sale Agreement, the Acquisition Agreement, the Proposed Connected Transactions and the respective transactions contemplated thereunder; and (v) a notice convening the SGM together with the proxy form and other information as required under the Listing Rules.

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 61.95% of the entire issued share capital of FGG as at the Latest Practicable Date
- (ii) Merlotte Enterprise, which is the beneficial owner of 2,352,000 FGG Shares, representing approximately 0.46% of the entire issued share capital of FGG as at the Latest Practicable Date
- (iii) Victory City Investments, which is the beneficial owner of 2,448,000 FGG Shares, representing approximately 0.48% of the entire issued share capital of FGG as at the Latest Practicable Date

LETTER FROM THE BOARD

Purchaser : Unitech Enterprises

Sure Strategy is an investment holding company with limited liability incorporated in BVI, which is owned as to 51% by Victory City Investments and 49% by Merlotte Enterprise as at the Latest Practicable Date.

Merlotte Enterprise is an investment holding company with limited liability incorporated in BVI, which is wholly owned by Mr. Choi as at the Latest Practicable Date.

Victory City Investments Limited is an investment holding company with limited liability incorporated in BVI and a wholly-owned subsidiary of the Company at the Latest Practicable Date.

FGG is an investment holding company with limited liability incorporated in Bermuda, the issued shares of which are listed on the Main Board of the Stock Exchange. The FGG Group is principally engaged in the trading and manufacturing of garment products and provision of quality inspection services, comprising the Manufacturing Business and the Garment Sourcing Business. FGG is an indirect non-wholly owned subsidiary of the Company.

Unitech Enterprises 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.

Unitech Enterprises is the ultimate holding company of Highlight Vision PRC, an integrated service provider for the IoT, Tri-Network Integration, smart city and internet new media industries in the PRC.

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

Given the respective interest of each of Mr. Choi, Mr. Chen and Mr. Li in FGG and the Company, each of them is deemed to have material interests in the Share Sale Agreement. Accordingly, Mr. Choi, Mr. Chen and Mr. Li abstained from voting at the Board meeting approving the Share Sale Agreement. Apart from Mr. Choi, Mr. Chen and Mr. Li, no other Directors are required to be abstained from voting at the Board meeting approving the Share Sale Agreement.

The Sale Shares

The Sale Shares comprise a total of 320,000,000 FGG Shares, representing approximately 62.89% of the entire issued share capital of FGG as at the Latest Practicable Date and approximately 61.56% of the entire issued share capital of FGG on a fully-diluted basis (assuming all outstanding FGG share options have been exercised) as at the Latest Practicable Date. The Sale Shares will be acquired by the

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Purchaser 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 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 Purchaser 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 Purchaser 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 Purchaser 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 Purchaser may agree in writing at least two Business Days prior to Share Sale Completion.

As at the Latest Practicable Date, the Deposit has been paid by the Purchaser to Sure Strategy.

The Board considers that the terms of the Share Sale Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the 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 HK\$226,944,000. Therefore, the total proceeds from the sale of FGG Shares and the Special Cash Dividend to Sure Strategy will be HK\$481,344,000. Out of such total proceeds, HK\$270,000,000 will be used towards the Acquisition pursuant to the Acquisition Agreement and the remaining balance of the total proceeds will be HK\$211,344,000. As Sure Strategy is owned as to 51% by the Company, 51% of such remaining balance, being HK\$107,785,440, are attributable to the Company and will be applied in equal portions as general working capital for the Manufacturing Business as to approximately HK\$53,892,720 and the business of the Group as to approximately HK\$53,892,720.

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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 approximately HK\$1,763,000, all of which will be applied as the general working capital for the business of the 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 Purchaser and the Vendors after arm's length negotiations, taking into account (i) the consolidated net asset value of the FGG Remaining 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 FGG Remaining Group (including its profit-making track record (after the exclusion of non-recurring items) and its major top customers which have been and are expected to be recurring in nature); (iii) the then prevailing market prices of the FGG Shares as at the time of negotiation of consideration of the Sale Shares between the Purchaser and the Vendors around the end of November 2013; (iv) the special deals for FGG; and (v) the fact that the Purchaser 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 Board 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 the Company and the Shareholders as a whole, despite the discount between the aggregate consideration per Sale Share and the Special Cash Dividend per FGG Share, and the closing prices of FGG Share price from the date of Joint Announcement up until the Latest Practicable Date. The 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. Furthermore, the increasing trend in the closing prices of FGG from the date of the Joint Announcement to the Latest Practicable Date may be a result of (i) market speculation due to the identity of the purchaser who will make mandatory unconditional cash offers to acquire all the issued FGG Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it and to cancel all the outstanding share options; and (ii) the expectations FGG Shareholders may have over the potential opportunities the purchaser, along with its expertise in the IoT industry, can bring to FGG. The 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 closing prices ranged from HK\$0.65 to HK\$1.41 were below the combined consideration under the Share Sale and the Special Cash Dividend of approximately HK\$1.528 per FGG Share.

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Specific warranties

The Vendors have provided certain representations and warranties to the Purchaser, including that the consolidated net asset value of the FGG 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 Purchaser and keep the Purchaser 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 Purchaser or any member of the FGG 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 FGG Remaining Group prior to the Share Sale Completion Date; or (ii) any member of the Target 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 FGG Group Reorganisation and/or the Acquisition, 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) which had not been provided in the consolidated accounts of the FGG Remaining Group as at the Share Sale Completion Date 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 FGG Remaining Group immediately after Share Sale Completion to facilitate continuity of the management of the business and operations of the FGG Remaining Group in substantially the same manner as prior to Share Sale Completion.

The Vendors jointly and severally undertake to procure that for a period of 12 months from the date of completion of the Acquisition, the Target 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.

Conditions precedent

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

- (i) the passing of the necessary resolutions by the Independent Shareholders at the SGM approving the Share Sale Agreement and the transactions contemplated thereby pursuant to the requirements of the Listing Rules;

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- (ii) the passing of the necessary resolutions by the FGG independent shareholders and the Independent Shareholders at each of the special general meeting of FGG and the SGM, respectively, approving the Acquisition Agreement and the transactions contemplated thereby and the arrangement relating to the FGG Retained Employees pursuant to the requirements of the Companies Ordinance, the Takeovers Code and the Listing Rules;
- (iii) the FGG 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 for FGG pursuant to Rule 25 and/or Note 4 to Rule 25 of the Takeovers Code (with evidence provided by the Vendors to the Purchaser to its satisfaction, acting reasonably);
- (iv) completion of the Acquisition and other transactions contemplated in the Acquisition Agreement in accordance with its terms with evidence provided by the Vendors to the Purchaser to its satisfaction, acting reasonably;
- (v) the share premium cancellation of FGG having been effective pursuant to applicable laws;
- (vi) all guarantees, securities and indemnities given by, and all liabilities or obligations of, the FGG Remaining Group (other than receivables and payables or obligations incurred by the FGG Remaining Group in the ordinary course of business) (except for the obligations of the FGG 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 FGG Remaining Group and the Target 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 Purchaser to its satisfaction, acting reasonably;
- (vii) all guarantees, securities and indemnities given by the FGG Remaining Group in respect of the liabilities or obligations of the Target 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 Purchaser 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

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transactions contemplated under the Share Sale Agreement or the Acquisition Agreement; or (b) suspension due to any act or omission on the part of the Purchaser;

- (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 FGG 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 anyway challenge the transactions contemplated under the Share Sale Agreement.

The Purchaser 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. As at the Latest Practicable Date, none of the above conditions to the Share Sale has been waived or fulfilled. In the event that any of the above conditions shall not have been fulfilled (or waived by the Purchaser 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 Purchaser 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

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default or failure of the Purchaser, the Deposit (excluding any interest thereon) shall be refunded to the Purchaser, 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 Purchaser.

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 Purchaser 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 interest thereon) to be refunded to the Purchaser as stated above, the Vendors shall pay to the Purchaser HK\$20,000,000 as and for liquidated damages.

If the Purchaser 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 Purchaser 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 Acquisition Agreement after all the conditions precedent to the Share Sale Agreement are fulfilled or effectively waived or such other later date as the Purchaser and the Vendors may agree in writing.

As at the Latest Practicable Date, Sure Strategy and Victory City Investments, being subsidiaries of the Company, are interested in approximately 61.95% and 0.48% of the FGG Shares respectively. Merlotte Enterprise is interested in approximately 0.46% of the entire issued capital of FGG. Upon Share Sale Completion, the Group will cease to have any interests in the FGG Shares and FGG will cease to be a subsidiary of the Company.

Financial effect of the Share Sale

Pursuant to the Share Sale Agreement, Sure Strategy and Victory City Investments will respectively sell 315,200,000 FGG Shares and 2,448,000 FGG Shares to the Purchaser. Sure Strategy is owned as to 51% by Victory City Investments, which in turn is wholly owned by the Company, and as to 49% by Merlotte Enterprise. As Sure Strategy is a non-wholly owned subsidiary of the Company, the profit to be recorded by Sure Strategy as a result of the Share Sale and the payment of Special Cash Dividend will be consolidated to the Group's financial statements and 51% of such profit is attributable to the Shareholders. The remaining 49% of Sure Strategy's profit, which is attributable to Merlotte Enterprise, will be reflected in non-controlling interest in the financial statement of the Group.

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For illustrative purpose, the Group is expected to record a profit of approximately HK\$224,635,000 on a consolidated basis as a result of the Share Sale and the payment of Special Cash Dividend, which is calculated based on the consideration to be received by Sure Strategy and Victory City Investments from the Share Sale of approximately HK\$256,660,000, deducted by (i) FGG Remaining Group's unaudited net assets attributable to the Group of approximately HK\$26,143,000 calculated based on the unaudited net assets of the FGG Remaining Group of approximately HK\$36,764,000 assuming the Share Sale Completion took place on 30 September 2013 as set out in Appendix II of this circular multiplied by the Company's shareholding in FGG of approximately 71.1% as of 30 September 2013; (ii) estimated transaction cost of approximately HK\$2,457,000 to be incurred by the Group and (iii) increase in liabilities from tax indemnity of approximately HK\$3,425,000 for the Group. As Sure Strategy is a non-wholly owned subsidiary of the Company, part of the profit of Sure Strategy is attributable to the minority shareholder of Sure Strategy, being Merlotte Enterprise, in proportion to its shareholding in Sure Strategy. After deducting the non-controlling interest in Sure Strategy of approximately HK\$109,200,000, the profit to be recorded as a result of the Share Sale and payment of Special Cash Dividend attributable to the Shareholders is expected to be approximately HK\$115,435,000.

Shareholders should note that actual gain or loss from the Share Sale and payment of Special Cash Dividend to be recorded by the Company will depend on the financial position of FGG as at the date of the Share Sale Completion.

The Share Sale Completion is conditional upon, among others, completion of the FGG Group Reorganisation and completion of the Acquisition. Accordingly, Share Sale Completion may or may not take place and the Shareholders are advised to exercise caution in dealing in the Shares.

B. THE ACQUISITION AGREEMENT

Date:

14 March 2014 (after trading hours)

Parties:

Vendor : FGG

Purchaser : Sure Strategy

As at the Latest Practicable Date, Sure Strategy is interested in 315,200,000 FGG Shares, representing approximately 61.95% of the entire issued share capital of FGG as at the Latest Practicable Date, and is a substantial shareholder of FGG.

Given the respective interest of each of Mr. Choi, Mr. Chen and Mr. Li in FGG and the Company, each of them is deemed to have material interests in the Acquisition Agreement. Accordingly, Mr. Choi, Mr. Chen and Mr. Li abstained from voting at the Board meeting approving the Acquisition Agreement. Apart from Mr. Choi, Mr. Chen and Mr. Li, no other Directors are required to be abstained from voting at the Board meeting approving the Acquisition Agreement.

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Assets to be acquired

Pursuant to the Acquisition Agreement, Sure Strategy conditionally agreed to acquire and FGG conditionally agreed to dispose of the Target Shares, which represent the entire issued share capital of FG Holdings. FG Holdings is an investment holding company. As at 31 December 2013, the Target Group recorded unaudited net assets of approximately HK\$278,000,000.

Following completions of the FGG Group Reorganisation and the Acquisition, FG Holdings will hold the Target Group Entities which will be engaged in the Manufacturing Business. As at the Latest Practicable Date, FG Holdings is a direct wholly-owned subsidiary of FGG. Upon completion of the Acquisition, FG Holdings will cease to be a subsidiary of FGG and FGG will cease to have any interest in the Target Group.

The unaudited financial information of the Target Group, which was prepared under the Hong Kong Financial Reporting Standards, is set out in note form on pages I-9 to I-20 in Appendix I of this circular. Set out below is a summary of the unaudited financial information of the Target Group:

	For the year ended		For the nine months ended	
	31 March	31 March	31 March	31
	2011	2012	2013	December
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Profit before				
income tax	28,351	9,326	14,262	17,669
Profit after income				
tax	22,406	8,588	6,409	13,367

Consideration

The consideration for the Acquisition is HK\$270,000,000 and shall be satisfied in cash at completion of the Acquisition. As Sure Strategy is owned as to 51% by the Company, the consideration for the Acquisition attributable to the Company 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" in this circular. The consideration for the Acquisition is determined after arm's length negotiations between FGG and Sure Strategy taking into account the unaudited net asset value of the Target Group as at 30 September 2013 and the fact that FG Holdings, which will hold the Target Group Entities upon completion of the FGG Group Reorganisation, is already a subsidiary of Sure Strategy (i.e. Sure Strategy is acquiring entities which are already consolidated in its financial statements). The market values of the properties held by the Target Group were not taken into account when determining the consideration for the Acquisition as the properties held by the Target Group are already consolidated into the Group (since FG Holdings is already a subsidiary of the Company).

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The Board considers that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Acquisition 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 Acquisition Agreement and other transactions contemplated in the Acquisition 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 Acquisition Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (iii) the passing by the Independent Shareholders of an ordinary resolution approving the Acquisition 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 Acquisition 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 Acquisition;
- (v) the share premium cancellation of FGG 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 FGG Group Reorganisation; and
- (viii) the execution of the HK Lease Agreement.

None of the above conditions can be waived. As at the Latest Practicable Date, none of the above conditions to the Acquisition has been waived or fulfilled. 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 Acquisition Agreement shall lapse and be of no further effect.

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Completion

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

Reasons for the FGG Group Reorganisation, the Acquisition, and the Share Sale and benefits which are expected to accrue to the Company

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

The principal business of the Garment Sourcing Business is different from the principal business of the Manufacturing Business such that the Garment Sourcing Business mainly provides, among other things, sourcing management, product design and product development, garment sourcing and/or sub-contractor outsourcing services to its customers whereas the Manufacturing Business mainly manufactures and sells garment products through the factories of the Target Group Entities, or other sub-contractors with the customer's consent to outsource based on design and specifications provided by customers. During the negotiations between the parties to the Share Sale Agreement, the Purchaser has expressed that it is not interested in the Manufacturing Business as the Purchaser prefers to operate a less asset-intensive business. The FGG Group Reorganisation is crucial for the FGG Group in achieving the structure desired by the Purchaser as the FGG Group Reorganisation allows the Garment Sourcing Business and the Manufacturing Business to be divided into the FGG Remaining Group and the Target Group, respectively, which then facilitates the Acquisition (i.e. the acquisition of the Manufacturing Business by Sure Strategy). The Share Sale represents an opportunity for the Group to realise its investment in FGG's Garment Sourcing Business.

FG Holdings, a company incorporated in BVI with limited liability and directly wholly-owned by FGG, will be the holding company of the Target Group. Upon completion of the FGG Group Reorganisation, the Target Group will comprise the Target Group Entities. The Target Group will be principally engaged in the Manufacturing Business. The Company and its subsidiaries (other than the FGG Group) are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products and the Manufacturing Business complements well with the Company's existing operations. The production facilities used by the Company's existing operation are different from those used by the Manufacturing Business. Nonetheless, the Board considers that the Acquisition allows the Company to retain the Manufacturing Business, which is considered to complement its fabric manufacturing business given that (i) the Company has been and will continue to be a supplier of fabric and yarn products to the Manufacturing Business; and (ii) the senior management of the Group, through its many years of experience in the manufacturing and production industry, will be able to make use of its industry know-how and expertise to assist in the future development of the Manufacturing Business. Mr. Choi, Mr. Chen and Mr. Li, being the Directors and FGG's directors, have management experience in the Manufacturing Business. It is expected that the Manufacturing Business will expand its production capacities in Jordan and Indonesia to capture additional demand for its garment products. The supply of fabric and yarn products from the Group's existing operation to the Manufacturing Business will increase along with the increase in production of the Manufacturing Business.

Group structure before the Acquisition and the Share Sale

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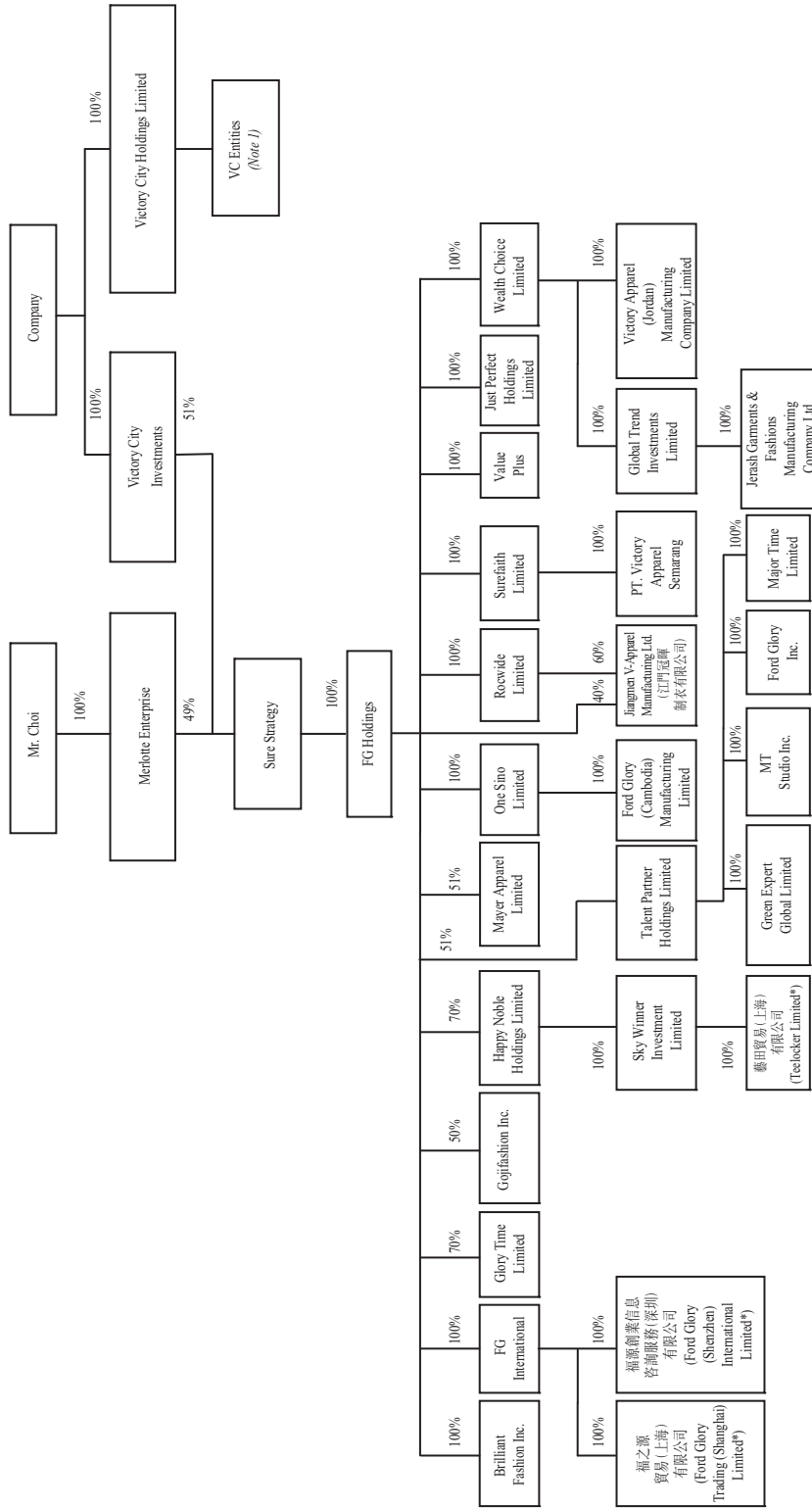
Note:

1. VC Entities include Best Linkage (Macao Commercial Offshore) Limited, Best Color Development Limited, Billion Colour Investment Limited, Grace Link Enterprises Limited, Victory City Company Limited, Champion Fortune Asia Limited, Elite Sound Investment Limited, Victory City Overseas Limited, Victory City (China) Holdings Limited, Golden Zone Enterprises Limited, Sun Glory Developments Limited, Global Honour Investments Limited, 江門市冠達化工科技有限公司 (Jiangmen Guan Da Chemical Technology Co., Ltd.*) (a company which the Company is interested in as to 90%), 江門市新會區冠華針織廠有限公司 (Jiangmen Xinhui Victory City Co., Ltd.*), 江門市新會區揚名針織廠有限公司 (Jiangmen Xinhui Yang Ming Co., Ltd.*), 江門錦豐科技纖維有限公司 (Jiangmen Kam Fung Fibre Technology Co., Ltd.*), 江門豐華針織廠有限公司 (Jiangmen Fung Wah Co., Ltd.*) and 南京新一棉紡織印染有限公司 (Nanjing Synergy Textiles Limited*)

* For identification purposes only

Group structure after the Acquisition and the Share Sale

The chart below shows the simplified group structure of the Group immediately after completion of the Acquisition and the Share Sale (assuming that there are no other changes in the shareholding structure of the Company since the Latest Practicable Date):



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Note:

1. VC Entities include Best Linkage (Macao Commercial Offshore) Limited, Best Color Development Limited, Billion Colour Investment Limited, Grace Link Enterprises Limited, Victory City Company Limited, Champion Fortune Asia Limited, Elite Sound Investment Limited, Victory City Overseas Limited, Victory City (China) Holdings Limited, Golden Zone Enterprises Limited, Sun Glory Developments Limited, Global Honour Investments Limited, 江門市冠達化工科技有限公司 (Jiangmen Guan Da Chemical Technology Co., Ltd.*) (a company which the Company is interested in as to 90%), 江門市新會區冠華針織廠有限公司 (Jiangmen Xinhui Victory City Co., Ltd.*), 江門市新會區揚名針織廠有限公司 (Jiangmen Xinhui Yang Ming Co., Ltd.*), 江門錦豐科技纖維有限公司 (Jiangmen Kam Fung Fibre Technology Co., Ltd.*), 江門豐華針織廠有限公司 (Jiangmen Fung Wah Co., Ltd.*) and 南京新一棉紡織印染有限公司 (Nanjing Synergy Textiles Limited*)

C. PROPOSED CONNECTED TRANSACTIONS IN RELATION TO PROVISION OF GUARANTEES

The Company 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 Acquisition, it is proposed that the Company 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 Acquisition, it is proposed that the Company 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.

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Each of FG International and Value Plus will not provide to the Company 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 the Company 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 Acquisition, it is proposed that the Company 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 Acquisition, it is proposed that the Company 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 the Company 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 the Company 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

LETTER FROM THE BOARD

(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 Acquisition, it is proposed that the Company 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 Acquisition, it is proposed that the Company 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 the Company 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 the Company 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 Acquisition, it is proposed that the Company 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 Acquisition, it is proposed that the Company 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.

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Each of FG International and Value Plus will not provide to the Company 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 the Company 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, invoice 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 Acquisition, it is proposed that the Company 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 the Company 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 the Company 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 Acquisition, it is proposed that the Company 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 the Company 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 the Company 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

LETTER FROM THE BOARD

been and will continue to be responsible for the majority of the trading of garment products under the Manufacturing Business of the Target Group upon completion of the Acquisition.

The Facilities include term loan and normal trade lines (such as letters of credit and trust receipts) 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 the banking facilities by the 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 Latest Practicable Date, 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 61.95% 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 the Company) and 49% by Merlotte Enterprise as at the Latest Practicable Date.

Upon completion of the Acquisition, 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 the Company upon completion of the Acquisition.

Upon completion of the Acquisition, the Company 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 the Company. The Directors consider that the Company 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.

As FG International and Value Plus are private trading companies, the Facilities have been guaranteed by the corporate guarantee of FGG. To the best knowledge of the Directors, the relevant Lenders have respectively and preliminarily indicated that, upon the release of corporate guarantee by FGG, corporate guarantee of another listed company (i.e. the Company) would be required or the relevant terms of the Facilities would be revised unfavourably to FG International and Value Plus accordingly. So far the Directors are aware, it is not an uncommon practice for financial institutions to require the provision of corporate guarantee by listed companies in respect of the banking facilities obtained by their subsidiaries.

Given that FG International and Value Plus have been and will continue to be responsible for the majority of the trading of garment products under the Manufacturing Business of the Target Group upon completion of the Acquisition and given the significant contribution from FG International and Value Plus in the Group's garment product business, the Board considers that the exposure of the Group to the liabilities under the Guarantees is commercially justifiable and is therefore in the interest of the Company to assist each of FG International and Value Plus to obtain the Facilities. Further, the Directors consider that the Proposed Connected Transactions will

LETTER FROM THE BOARD

enable FG International and Value Plus, both being non-wholly owned subsidiaries of the Company engaging in the Manufacturing Business, to maintain their existing financial resources upon completion of the Acquisition, which is in the interests of the Company and the Shareholders as a whole, and the provision of Guarantees by the Company is in its ordinary and usual course of business.

In view that Merlotte Enterprise will give a pro rata counter-indemnity (“**Counter-Indemnities**”) in respect of the Guarantees, the Board 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 the Company and the 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 board meeting of the Company approving the Proposed Connected Transactions. Apart from Mr. Choi, no other Directors are required to be abstained from voting at the board meeting of the Company approving the Proposed Connected Transactions.

IMPLICATIONS OF 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 the Company, the Share Sale Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As Mr. Choi is a Director and a substantial shareholder of FGG, and the Share Sale Agreement is conditional on completion of the Acquisition Agreement, the Share Sale Agreement also constitutes a connected transaction for the Company and is therefore subject to the reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Acquisition Agreement

As each of the revenue ratio and the consideration ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition Agreement is more than 5% but less than 25% for the Company, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The Acquisition also constitutes a connected transaction for the Company 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 the Company 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 Director and a substantial shareholder of FG Holdings (a subsidiary of the Company).

The Acquisition, being a discloseable and connected transaction for the Company, is therefore subject to the reporting, announcement and the Independent Shareholders’ approval requirements under the Listing Rules.

LETTER FROM THE BOARD

The Proposed Connected Transactions

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

Given that the financial assistance to be provided by the Company by way of the Guarantees to each of FG International and Value Plus will exceed the proportional interest of the Company 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 the Company under Rule 14A.63 of the Listing Rules. Accordingly, the provision of the Guarantees is subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.63 of the Listing Rules. As at the Latest Practicable Date, the Guarantees have not been given. It is intended that the Guarantees will be executed shortly after the approval of the Independent Shareholders is obtained at the SGM. The proposed provision of the Guarantees, when executed after the Independent Shareholders' approval has been obtained, will constitute connected transactions for the Company 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 Directors, in respect of the Guarantees will constitute connected transactions for the Company 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.

GENERAL

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

Each of Mr. Choi, Mr. Chen and Mr. Li and their respective associates shall abstain from voting on the resolution approving the Share Sale and the Acquisition at the SGM. Further, Mr. Choi and his associates shall abstain from voting on the resolution approving the Proposed Connected Transactions at the SGM.

SGM

A notice convening the SGM to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on Thursday, 10 July 2014 at 11:30 a.m. is set out on pages SGM-1 to pages SGM-3 of this circular. Ordinary resolutions will be proposed at the SGM to consider, and if thought fit, to approve the Share Sale Agreement, the Acquisition Agreement, the Proposed Connected Transactions and the transactions contemplated thereunder by way of poll.

LETTER FROM THE BOARD

Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion and return of the enclosed form of proxy will not preclude you from attending and voting at the SGM or any adjournment should you so wish.

RECOMMENDATIONS

The Directors consider that (i) the terms of the Share Sale Agreement, the Acquisition Agreement and the Guarantees are on normal commercial terms; and (ii) the Share Sale, the Acquisition, the Proposed Connected Transactions and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions at the SGM.

The Independent Board Committee, having considered the advice of Halcyon Capital, is of the opinion, among others, that (i) the terms of the Share Sale Agreement and the Acquisition Agreement are on normal commercial terms (ii) the Share Sale, together with the Acquisition and the Proposed Connected Transactions are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) the Share Sale, the Acquisition, the Proposed Connected Transactions and the transactions contemplated thereunder are in the interest of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Share Sale Agreement, the Acquisition Agreement, the Proposed Connected Transactions and the transactions contemplated thereunder. You are advised to read carefully the letter from the Independent Board Committee set out on pages 38 to 39 of this circular. You are also advised to read carefully the letter from Halcyon Capital on pages 40 to 85 of this circular which contains advice to the Independent Board Committee and the Independent Shareholders in respect of the Share Sale, the Acquisition, the Proposed Connected Transactions and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from Halcyon Capital which are respectively set out on pages 38 to 39 and pages 40 to 85 of this circular. Additional information is also set out in appendices to this circular. Appendix I, Appendix II and Appendix III are included in this circular on a voluntary basis and extracted from the circular of FGG dated 18 June 2014.

By order of the board of
Victory City International Holdings Limited
Li Ming Hung
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

18 June 2014

To the Independent Shareholders

Dear Sir or Madam,

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO THE DISPOSAL OF FGG SHARES;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO THE ACQUISITION; AND
(3) PROPOSED CONNECTED TRANSACTIONS IN RELATION TO
PROVISION OF GUARANTEES**

We refer to the circular dated 18 June 2014 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Share Sale, the Acquisition, the Proposed Connected Transactions and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Halcyon Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 14 to 37 of the Circular, and the letter from Halcyon Capital which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Share Sale, the Acquisition, the Proposed Connected Transactions and the transactions contemplated thereunder as set out on pages 40 to 85 of the Circular.

After taking into consideration the advice from the Halcyon Capital, we concur with the views of Halcyon Capital and consider that (i) the Share Sale, together with the Acquisition, will result in acquisition of further interest in subsidiaries engaging in the Manufacturing Business, which is part of the ordinary and usual course of business of the Group, and for the Group to realise its investment in the Garment Sourcing Business; (ii) the Guarantees are in the ordinary and usual course of business of the Group; (iii) the terms of

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the Share Sale Agreement and the Acquisition Agreement are on normal commercial terms, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; (iv) entering into of the Share Sale Agreement and the Acquisition Agreement are in the interests of the Company and the Shareholders as a whole; and (v) notwithstanding that the Guarantees would exceed the Company's indirect proportionate shareholding interest in FG International and Value Plus, taking into the counter guarantees provided by Merlotte Enterprise in respect of its equity interest in the Target Group, the Proposed Connected Transactions are considered to be in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed in the SGM to approve the Share Sale, the Acquisition, the Proposed Connected Transactions and the transactions contemplated thereunder.

Yours faithfully,
For and behalf of
the Independent Board Committee of
Victory City International Holdings Limited

Mr. Kan Ka Hon	Mr. Phaisalakani Vichai	Mr. Kwok Sze Chi
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

LETTER FROM HALCYON CAPITAL

The following is the full text of a letter of advice from Halcyon Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this Circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Share Sale Agreement, the Acquisition Agreement, the Proposed Connected Transactions and the transactions contemplated thereunder.



HALCYON CAPITAL LIMITED
11TH FLOOR
8 WYNDHAM STREET
CENTRAL
HONG KONG

18 June 2014

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF FGG SHARES;**
- (2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION; AND**
- (3) PROPOSED CONNECTED TRANSACTIONS IN RELATION TO
PROVISION OF GUARANTEES**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in respect of the terms of the Share Sale Agreement, the Acquisition Agreement, the Proposed Connected Transactions and the respective transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 18 June 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Pursuant to the Share Sale Agreement, the Vendors conditionally agreed to sell and Unitech Enterprises conditionally agreed to purchase the Sale Shares, being the aggregate interest of 320,000,000 FGG Shares held by the Vendors at an aggregate consideration of HK\$258,560,000, representing HK\$0.808 per Sale Share. As a result of the exercise of 58,570,000 outstanding share options of FGG subsequent to the date of the Share Sale Agreement, the total number of FGG Shares in issue was 508,832,000 and there were 10,945,000 outstanding share options of FGG (the “**Outstanding FGG Share Options**”) as at the Latest Practicable Date. Accordingly, the Sale Shares represented approximately 62.89% of the entire issued share capital of FGG as at the Latest Practicable Date. The Share Sale Agreement is conditional upon, among other things, completion of the FGG Group Reorganisation and completion of the Acquisition.

LETTER FROM HALCYON CAPITAL

Pursuant to the Acquisition Agreement, Sure Strategy conditionally agreed to acquire and FGG conditionally agreed to dispose of the Target Shares, which represent the entire issued share capital of FG Holdings, at the consideration of HK\$270,000,000. Completion of the Acquisition is conditional, among other things, completion of the FGG Group Reorganisation. Furthermore, the Company proposes to provide the Guarantees in favour of the Lenders in respect of the Facilities granted by the Lender, to FG International and Value Plus upon completion of the Acquisition.

Since Sure Strategy is held as to 49% by Merlotte Enterprise (which is wholly owned by Mr. Choi) and Mr. Choi is a director of each of the Company and FGG (which is an indirect non-wholly owned subsidiary of the Company), FGG is a connected person of the Company under Rule 14A.11(5) of the Listing Rules. By virtue of the aforesaid relationship, the Share Sale constitutes a connected transaction of the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules and the Acquisition also constitutes a connected transaction of the Company pursuant to Rules 14A.13(1)(a) and (b)(i) of the Listing Rules. Upon completion of the Acquisition and the Share Sale, each of FG International and Value Plus will become direct wholly-owned subsidiaries of FG Holdings which is in turn (upon completion of the Share Sale) held as to 51% indirectly by the Company and 49% indirectly by Merlotte Enterprise and that the financial assistance to be provided by the Company by way of the Guarantees will exceed the proportional interest of the Company in FG International and Value Plus (as the case may be), the transactions contemplated under the provision of Guarantees to FG International and Value Plus by the Company therefore constitute connected transactions pursuant to Rule 14A.63 of the Listing Rules.

The Independent Board Committee, comprising Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Share Sale Agreement, the Acquisition Agreement and the Proposed Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned, whether the Share Sale, the Acquisition and the Proposed Connected Transactions are in the interests of the Company and the Shareholders as a whole and how the Independent Shareholders should vote at the SGM.

Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Sale Agreement, the Acquisition Agreement and the Proposed Connected Transactions and the relevant transactions contemplated thereunder, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether the Share Sale Agreement, the Acquisition Agreement and the Proposed Connected Transactions are entered into on normal and commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and whether the terms thereof are fair and reasonable so far as the Company and the Shareholders are concerned; and (ii) advise the Independent Shareholders on how to vote at the SGM.

LETTER FROM HALCYON CAPITAL

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the information, financial information and the facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and continue to be so as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analysis were based upon, among others, the information provided by the Group including the Share Sale Agreement, the Acquisition Agreement, the banking facility agreements in relation to the Facilities, the annual report of the Company for the year ended 31 March 2013 (the “**2013 Annual Report**”), the interim report of the Company for the six months ended 30 September 2013 (the “**2013 Interim Report**”), the annual report of FGG for the year ended 31 March 2013 (the “**2013 FGG Annual Report**”), the interim report of FGG for the six months ended 30 September 2013 (the “**2013 FGG Interim Report**”), the prospectus of FGG dated 17 September 2010 (the “**FGG Prospectus**”), the Circular and certain published information from the public domain.

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the entering into of the Share Sale Agreement, the Acquisition Agreement, the Proposed Connected Transactions, and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification or appraisal of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or the prospects of the Group, Sure Strategy, the Target Group, the FGG Remaining Group or any of their respective subsidiaries or associates. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy and shares or any other securities of the Company or FGG, or accept or reject the share offer and/or the option offer to be made by the Purchaser.

LETTER FROM HALCYON CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the Share Sale Agreement, the Acquisition Agreement and the Proposed Connected Transactions and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

I. THE SHARE SALE AND THE ACQUISITION

1. Overview on the Share Sale and the Acquisition

As referred to the Letter from the Board, it is noted that (i) the Vendors have entered into the Share Sale Agreement with Unitech Enterprises on 14 March 2014 pursuant to which the Vendors conditionally agreed to sell and Unitech Enterprises conditionally agreed to purchase the Sale Shares, being an aggregate of 320,000,000 FGG Shares, representing approximately 62.89% of the entire issued share capital of FGG as at the Latest Practicable Date, at an aggregate consideration of HK\$258,560,000 (representing HK\$0.808 per Sale Share); (ii) Sure Strategy and FGG have entered into the Acquisition Agreement on 14 March 2014 pursuant to which Sure Strategy conditionally agreed to acquire and FGG conditionally agreed to dispose of the Target Shares, which represent the entire issued share capital of FG Holdings, at a consideration of HK\$270,000,000; (iii) the FGG Group Reorganisation will be carried out whereby the Manufacturing Business and the Garment Sourcing Business will be divided into the Target Group and the FGG Remaining Group respectively; (iv) among other things, subject to and upon completion of the Acquisition and the share premium cancellation of FGG becoming effective, the Special Cash Dividend to 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) is proposed to be HK\$0.72 per FGG Share; and (v) the Company proposed to provide the Guarantees in favour of the Lenders in respect of the Facilities granted by the Lenders to FG International and Value Plus upon completion of the Acquisition.

The Share Sale Completion is conditional on, among other things, the completion of the FGG Group Reorganisation and completion of the Acquisition Agreement whereby the completion of the Acquisition is conditional on, among other things, completion of the FGG Group Reorganisation, the share premium cancellation of FGG becoming effective and the approval by the shareholders of FGG on the declaration of the Special Cash Dividend.

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Set out below is a table showing the shareholding interest of the Vendors in the issued share capital of FGG:

	Number of FGG Shares	Approximate % (as at the date of the Joint Announcement)	Approximate % (as at the Latest Practicable Date)
Sure Strategy (<i>Note 1</i>)	315,200,000	70.00%	61.95%
Merlotte Enterprise (<i>Note 2</i>)	2,352,000	0.53%	0.46%
Victory City Investments (<i>Note 3</i>)	2,448,000	0.54%	0.48%

Notes:

1. Sure Strategy is indirectly owned as to 51% by the Company and 49% by Merlotte Enterprise.
2. Merlotte Enterprise is wholly and beneficially owned by Mr. Choi.
3. Victory City Investments is a wholly-owned subsidiary of the Company.

FGG is an investment holding company with limited liability incorporated in Bermuda, the issued shares of which are listed on the Main Board of the Stock Exchange. As advised by the Company, the FGG Group is principally engaged in the trading and manufacturing of garment products and provision of quality inspection services, comprising the Manufacturing Business and the Garment Sourcing Business. FGG is an indirect non-wholly owned subsidiary of the Company and its results and assets have been consolidated into the financial statements of the Company.

FG Holdings is a wholly-owned subsidiary of FGG and will be the holding company of the Target Group Entities upon completion of the FGG Group Reorganisation. The Target Group (comprising FG Holdings (as an investment holding company), FG International, Value Plus and Other Target Group Entities) will be principally engaged in the Manufacturing Business (i.e. manufacturing and sale of garment products).

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As stated in the Letter from the Board, during the negotiations between the parties to the Share Sale Agreement, Unitech Enterprises has expressed that it is not interested in the Manufacturing Business as the Unitech Enterprises prefers to operate a less asset-intensive business. The FGG Group Reorganisation is crucial for the FGG Group in achieving the structure desired by Unitech Enterprises as the FGG Group Reorganisation allows the Garment Sourcing Business and the Manufacturing Business to be divided into the FGG Remaining Group and the Target Group, respectively, thereby facilitating the Share Sale.

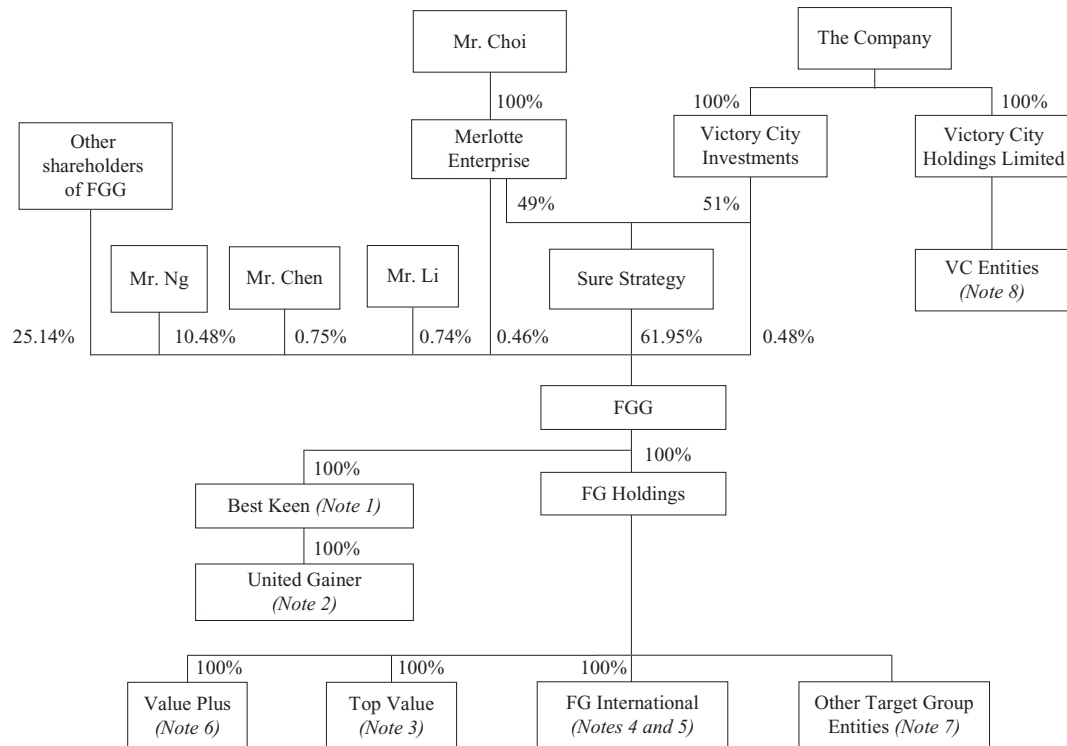
The Company is an investment holding company which through its subsidiaries, is principally engaged in the production and sale of knitted fabric and dyed yarn and garment products. The garment operation of the Group (i.e. the Manufacturing Business) has been carrying out by the Target Group, which has been an integral part of the Group's business and considered to complement the existing knitted fabric manufacturing business of the Group. The Group has been supplying fabric products and yarns to the Target Group, and the historical transaction amounts of which, as disclosed in the 2013 FGG Annual Report, amounted to approximately HK\$106.1 million and HK\$80.6 million for the two years ended 31 March 2013, respectively. As advised by the Company, the Group (excluding the Target Group) will continue to be one of the suppliers of fabric products and yarns to the Target Group in the future as part of the Group's business and the senior management of the Group will leverage on their experience in the manufacturing and production industry to assist in the future development of the Manufacturing Business conducted by the Target Group.

Based on the aforesaid, the Directors consider that the Acquisition allows the Company to increase its interests in the Manufacturing Business, which is vertically integrated with and considered to complement its fabric manufacturing business, while the Share Sale represents an opportunity for the Group to realise its investment in FGG's Garment Sourcing Business.

Set out below are the diagrams showing simplified group structure of FGG illustrating the interests of the Company in the businesses currently conducted through FGG (i) as at the Latest Practicable Date; and (ii) immediately after the completion of the Share Sale and the Acquisition (assuming there are no other changes in the shareholding structure of the Company and FGG since the Latest Practicable Date):

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(i) As at the Latest Practicable Date

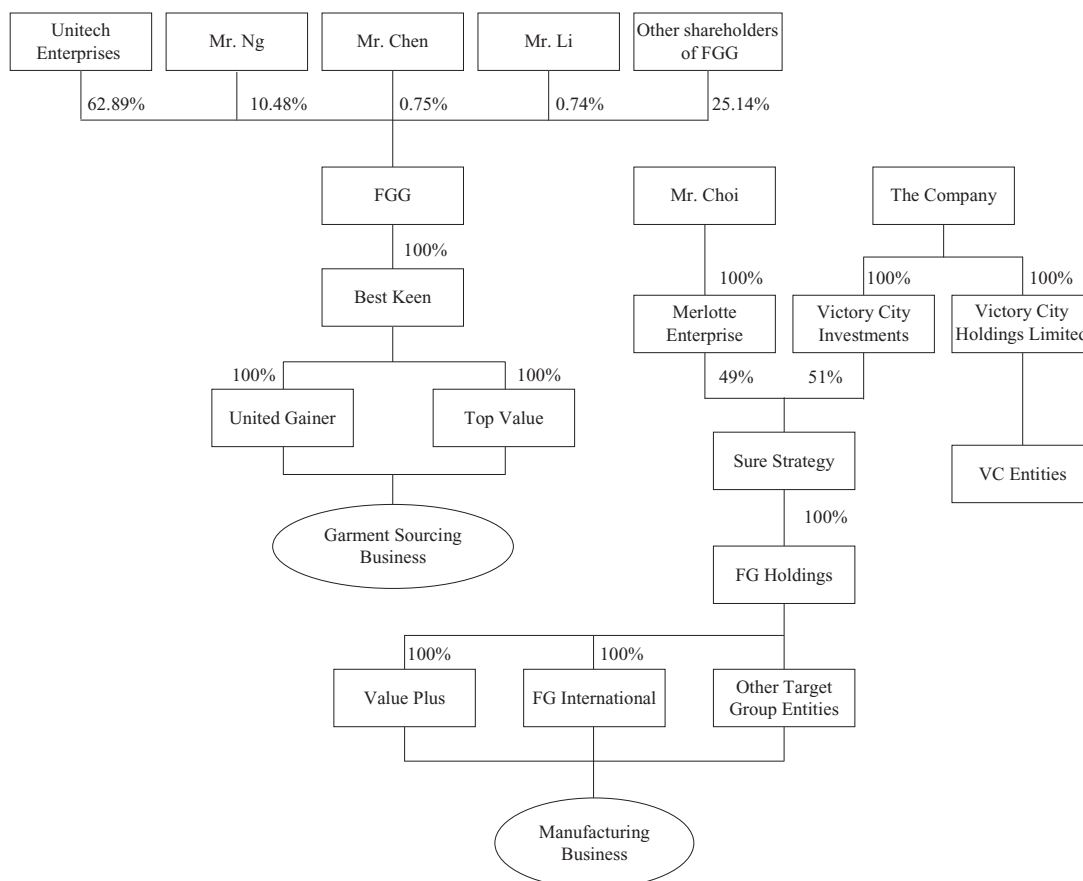


Notes:

1. Best Keen is an investment holding company as at the Latest Practicable Date.
2. United Gainer is an investment holding company as at the Latest Practicable Date.
3. Top Value is principally engaged in the trading of garment products as at the Latest Practicable Date.
4. FG International is principally engaged in the trading of garment products and accessories as at the Latest Practicable Date.
5. Pursuant to the FGG Group Reorganisation, the HK Garment Sourcing Business of FG International will be transferred to the FGG Remaining Group.
6. Value Plus is principally engaged in the provision of quality inspection services and procurement of fabric as at the Latest Practicable Date.
7. The Other Target Group Entities are principally engaged in the manufacturing and sale of garment products as at the Latest Practicable Date.
8. VC Entities are principally engaged in the in the production and sale of knitted fabric and dyed yarn as at the Latest Practicable Date.

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(ii) Immediately after the completion of the Share Sale and the Acquisition



As illustrated above, since Sure Strategy and Victory City Investments have been and will be collectively holding more than 51% interest in the Manufacturing Business as at the Latest Practicable Date and immediately after the completion of the Acquisition and the Share Sale, the results of the Manufacturing Business have been and will continue to be consolidated into the financial statements of the Company. In other words, the Group is acquiring part of the non-controlling interest in the Manufacturing Business through the Acquisition. As at the Latest Practicable Date, the Company was effectively interested in approximately 32.07% of both the Garment Sourcing Business and the Manufacturing Business (through Sure Strategy and Victory City Investments), while immediately upon completion of the Share Sale and the Acquisition, the Company will be effectively interested in 51% of the Manufacturing Business (through Sure Strategy), while it no longer has any interest in the Garment Sourcing Business.

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In addition, as stated in the Letter from the Board, the Special Cash Dividend is proposed to be HK\$0.72 per FGG Share by the board of directors of FGG and it will be paid to the Qualifying FGG Shareholders whose names appear on the register of members of FGG on the Record Date. The payment of the Special Cash Dividend is conditional upon, among other things, the completion of the Acquisition.

As referred to the Letter from the Board, completion of the Acquisition shall take place simultaneously with or immediately before the Share Sale Completion. The table below illustrates the cash receivable and/or payable by the Company as a result of the change in the effective interest of the Company in each of the Target Group and the FGG Remaining Group, and the estimated entitlement of the Special Cash Dividend by the Company under each of the Share Sale, the Acquisition and the distribution of the Special Cash Dividend by FGG as described above:

	Effective interest in the Target Group	Effective interest in the FGG Remaining Group	Cash receivable/ (payable) by the Company (approximately HK\$' million)
As at the Latest Practicable Date	32.07%	32.07%	N/A
Upon completion of the Acquisition	51%	32.07%	(137.7)
Upon distribution of the proposed Special Cash Dividend by FGG after completion of the Acquisition	51%	32.07%	117.5
Upon completion of the Share Sale after the completion of the Acquisition and distribution of the proposed Special Cash Dividend by FGG	<u>51%</u>	<u>0%</u>	<u>131.9</u>
Expected net effect on the Company (increase/ (decrease))	18.93%	(32.07%)	111.7

Accordingly, upon completion of the Acquisition, the Share Sale and the payment of the proposed Special Cash Dividend, the Company will be effectively (i) acquiring an approximately 18.93% equity interest in the

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Target Group; (ii) disposing of an approximately 32.07% equity interest in the FGG Remaining Group; and (iii) receiving a net cash of approximately HK\$111.7 million.

In the event that the Outstanding FGG Share Options are fully exercised before completion of the Acquisition, the Company's effective interest in the Target Group and the FGG Remaining Group would become 31.40%. In such case, upon completion of the Acquisition, the Share Sale and the payment of the proposed Special Cash Dividend, the Company would be effectively (i) acquiring an approximately 19.60% equity interest in the Target Group; (ii) disposing of an approximately 31.40% equity interest in the FGG Remaining Group; and (iii) receiving a net cash of approximately HK\$111.7 million.

2. Information on the Group

2.1 *Principal business*

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products. As at the Latest Practicable Date, the Group's main production site for yarn dyeing and fabric manufacturing was located in Xinhui, Guangdong, the PRC, and FGG, through which the Company conducts its garment business, has self-owned production bases in the PRC and Jordan and leased factories in Indonesia and Cambodia. The Group has been positioning itself as a one-stop sourcing management supplier to global and domestic customers, providing value-added services ranging from outsourcing, product design and development, sampling and logistics arrangement. As referred to in the paragraph headed "1. Overview on the Share Sale and the Acquisition", the Group (excluding the FGG Group) has been supplying fabric products and yarns to the Target Group for the past few years.

The Group has a wide spread of customers across different countries. For the knitted fabric and dyed yarn segment of the Group, customers from the PRC contributed the largest portion of revenue, followed by Hong Kong, Bangladesh, Korea, Taiwan and other countries, which accounted for approximately 49.2%, 17.1%, 10.3%, 10.3%, 8.4% and 4.7% respectively of the relevant segmental revenue of the Group for the year ended 31 March 2013. For the garment products segment of the Group, customers from the United States of America (the "US") contributed the largest portion of revenue, followed by the PRC, Canada, Germany, Jordan, Mexico and other countries, which accounted for approximately 67.6%, 10.1%, 8.0%, 6.6%, 2.8%, 2.4% and 2.5% respectively of the relevant segmental revenue of the Group for the year ended 31 March 2013.

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On the other hand, as stated in the 2013 Annual Report, the Group has been looking for investment opportunities to enhance the Shareholders' value with disciplined capital investment, and the Company had prepared for the new venture of resin manufacturing by making use of its existing relevant licences and facilities. As of 31 March 2013, approximately HK\$250 million had been spent to build and furnish a new resin plant with a maximum monthly capacity of 10,000 tons. The relevant resin plant commenced trial production in the first quarter of 2013, and the Company planned to gradually increase the production capacity in line with the growing demand for resin in the PRC.

2.2 Financial highlights

Financial performance

Set out below is the summary of key financial information of the Group for the two years ended 31 March 2013 and six months ended 30 September 2013 as extracted from the annual reports and interim report of the Company:

	For the six months ended 30 September		For the year ended 31 March	
	2013 HK\$'mil (unaudited)	2012 HK\$'mil (unaudited)	2013 HK\$'mil (audited)	2012 HK\$'mil (audited)
Revenue	2,500	1,994	4,085	3,835
Cost of sales	(2,079)	(1,599)	(3,334)	(3,119)
Gross profit	421	395	751	716
Profit before tax	158	101	231	374
Income tax expense	(11)	(15)	(23)	(27)
Profit for the period/ year	147	86	208	347
Profit attributable to Shareholders	140	85	206	341

As illustrated in the above table, the Group has recorded positive financial results during the two years ended 31 March 2013 and the six months ended 30 September 2013. The unaudited consolidated net assets value of the Company attributable to the Shareholders reached approximately HK\$4,800.0 million as at 30 September 2013.

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For the six months ended 30 September 2013

For the six months ended 30 September 2013, the Group recorded revenue of approximately HK\$2,500.1 million and profit attributable to the Shareholders of approximately HK\$140.3 million. According to the 2013 Interim Report and as further explained by the management of the Company, the demand in export and domestic markets in the PRC for the textile and garment industry stayed positive in 2013, and the Group recorded increase in revenue for the six months ended 30 September 2013, as compared to that for the six months ended 30 September 2012, which was principally brought by the growth in both knitted fabric and dyed yarn segment and the new resin manufacturing segment. The improvement in profit for the period was principally attributable to the improvement in gross profit as driven by the increase in revenue, reduction in share option expenses, recording of net gain on fair value change of derivative financial instruments and net gain on fair value change of restricted bank deposits, and partially offset by the increase in distribution and selling expenses and general and administrative expenses.

For the year ended 31 March 2013

For the year ended 31 March 2013, the Group recorded revenue of approximately HK\$4,085.4 million and profit attributable to the Shareholders of approximately HK\$205.8 million. According to the 2013 Annual Report and as further explained by the management of the Company, the combined effect of the slow economic recovery in the US, prolonged economic crisis in Europe and decelerated growth in gross domestic product of the PRC adversely impacted the textile and garment market. Nevertheless, the Group still managed to record a slight growth of approximately 6.5% in revenue and 4.9% in gross profit. However, the Group still recorded a decline in profit attributable to the Shareholders of approximately HK\$135.5 million, which was principally due to the increase in finance cost due to increase in interest rates and bank borrowings of the Group, the increase in share option expenses and no gain on bargain purchase of acquisition of subsidiaries was recorded during the year ended 31 March 2013 as compared to the recording of such non-recurring gain of approximately HK\$85.0 million for the year ended 31 March 2012.

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Segmental revenue

Set out below is the analysis of segmental revenue of the Group for each of the three years ended 31 March 2013 and six months ended 30 September 2013 as extracted from the annual reports and interim report of the Company:

	For the six months ended 30 September				For the year ended 31 March					
	2013		2012		2013		2012		2011	
	HK\$' mil	% of total	HK\$' mil	% of total	HK\$' mil	% of total	HK\$' mil	% of total	HK\$' mil	% of total
<i>Segmental revenue</i>										
Knitted fabric and dyed yarn	1,745	69.8	1,405	70.5	3,014	73.8	2,925	76.3	3,145	77.7
Garment products	550	22.0	589	29.5	1,071	26.2	910	23.7	903	22.3
Resin manufacturing	205	8.2	—	—	—	—	—	—	—	—
Total	2,500	100.0	1,994	100.0	4,085	100.0	3,835	100.0	4,048	100.0

The knitted fabric and dyed yarn segment contributed approximately 69.8% to 77.7% of the revenue of the Group during each of the three years ended 31 March 2013 and the six months ended 30 September 2013, while for the same periods, the garment products segment, as conducted by the FGG Group, contributed approximately 22.0% to 26.2% of the revenue of the Group.

3. Information on the FGG Group, the Target Group and the FGG Remaining Group

3.1 Principal business

FGG is an indirect non-wholly owned subsidiary of the Company, the shares of which are listed on the Main Board of the Stock Exchange. As set out in the paragraph headed “1. Overview on the Share Sale and the Acquisition” under this section, the garment product business of the Group was conducted through the FGG Group, which is principally engaged in the Garment Sourcing Business and the Manufacturing Business.

FG Holdings is a direct wholly-owned subsidiary of FGG and will be the holding company of the Target Group Entities upon completion of the FGG Group Reorganisation. The Target Group will be principally engaged in the Manufacturing Business, being the manufacturing and sales of garment products. As the Group is principally engaged in the production and sale of knitted fabric and dyed yarn and garment products, the Directors consider that the Manufacturing Business complements well with the existing operations of its subsidiaries.

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Upon completion of the FGG Group Reorganisation and the Acquisition, the FGG Remaining Group will be principally engaged in the Garment Sourcing Business which, as referred to in the Letter from the Board, 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.

3.2 Financial information

The FGG Group

Set out below is the summary of key financial information of the FGG Group for the three years ended 31 March 2013 and six months ended 30 September 2013 as extracted from the annual reports and interim report of FGG:

	For the six months ended 30 September		For the year ended 31 March		
	2013	2012	2013	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	549,876	589,153	1,071,162	909,908	902,878
Cost of sales	(457,050)	(491,801)	(899,018)	(767,234)	(748,836)
Gross profit	92,826	97,352	172,144	142,674	154,042
Profit before tax	13,876	8,751	17,776	11,097	31,245
Income tax expense	(2,044)	(4,952)	(10,507)	(3,377)	(10,053)
Profit for the period/ year	<u>11,832</u>	<u>3,799</u>	<u>7,269</u>	<u>7,720</u>	<u>21,192</u>
Profit attributable to owners of FGG	<u>15,180</u>	<u>5,262</u>	<u>11,178</u>	<u>7,256</u>	<u>17,225</u>

As illustrated above, the FGG Group recorded positive financial results for the three years ended 31 March 2013 and the six months ended 30 September 2013. The unaudited consolidated net assets value of the FGG Group attributable to the shareholders of FGG was approximately HK\$377.7 million as at 30 September 2013. During the relevant financial years and period, the financial results of the FGG Group have been consolidated into the financial statements of the Group.

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For the six months ended 30 September 2013

The FGG Group recorded revenue of approximately HK\$549.9 million for the six months ended 30 September 2013, representing a decrease of approximately 6.7% as compared to that for the six months ended 30 September 2012. The decrease in revenue was principally due to the lower demand in the PRC market. Nevertheless, the FGG Group still recorded an improved profit attributable to shareholders of FGG of approximately HK\$15.2 million, representing an increase of approximately 188.5% as compared to that for the six months ended 30 September 2012. The improvement in net profit attributable to the shareholders of FGG was principally due to the decrease in share option expenses, recording of net gain on fair value changes of derivative financial instrument as compared to a net loss on fair value changes of derivative financial instrument, and the reduction in enterprise income tax payable by the members of the FGG in the PRC.

For the year ended 31 March 2013

According to the 2013 FGG Annual Report and as further explained by the management, although FGG Group continued to face sluggish garment industry during the year, with slow recovery in economy of the US, slowing down of economic growth in the PRC and European market facing debt crisis, FGG Group still managed to record growth in revenue of approximately 17.7% to approximately HK\$1,071.2 million, principally driven by the increase in sales to the customers in the US. The FGG Group recorded an increase in profit attributable to the shareholders of FGG by approximately 54.1% to approximately HK\$11.2 million for the year ended 31 March 2013 which was principally driven by the increase in gross profit and decrease in profit attributable to minority shareholders, and partially offset by the decrease in other income and gains and the increase in costs and tax expenses, notwithstanding that a share based payment relating to the share option costs of approximately HK\$12.1 million was recorded.

For the year ended 31 March 2012

According to the 2012 FGG Annual Report and as further explained by the management of the Company, as being affected by the international demand of the garment industry was weak while FGG Group also faced challenges in raw material prices fluctuation, labour and utility costs increment and Renminbi appreciation, FGG recorded a slight increase in revenue of approximately 0.8% to approximately HK\$909.9 million for the year ended 31 March 2012 while it experienced decrease in gross

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profit margin and gross profit. Although no listing expenses was charged during the year, as compared to approximately HK\$13.1 million charged for the year ended 31 March 2011, the increases in selling and distribution costs, administrative expenses, share option costs and finance costs already exceeded such amount of saving, with the result that the FGG Group recorded decline in profit attributable to the shareholders of FGG by approximately 57.9% to approximately HK\$7.3 million for the year ended 31 March 2011.

Set out below is the breakdown of net assets value of the FGG Group as at 30 September 2013 as extracted from the 2013 FGG Interim Report:

	As at 30 September 2013 <i>HK\$' million</i>
Non-current assets	169.3
Current assets	475.0
Current liabilities	260.3
Non-current liabilities	4.0

As at 30 September 2013, the FGG Group had net assets of approximately HK\$380.0 million. In addition, as advised by the Company, (i) subsequent to 30 September 2013, 62,140,000 share options of FGG had been exercised and accordingly the net assets value of FGG had been increased by approximately HK\$47.0 million; and (ii) as referred to in the Letter from the Board, subject to and upon completion of the Acquisition and the share premium cancellation of FGG becoming effective, the proposed Special Cash Dividend of HK\$0.72 per FGG Share (totalling approximately HK\$366.4 million based on 508,832,000 FGG Shares in issue as at the Latest Practicable Date) 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).

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The Target Group

Set out below is the summary of key unaudited financial information attributable to the Target Group for the three years ended 31 March 2013 and nine months ended 31 December 2013 as extracted from Appendix I to this circular:

	For the nine months ended 31 December 2013	For the year ended 31 March		
	2013	2013	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	587,232	755,856	570,704	618,623
Cost of sales	<u>(468,954)</u>	<u>(610,529)</u>	<u>(452,435)</u>	<u>(488,098)</u>
Gross profit	118,278	145,327	118,269	130,525
Profit before tax	17,669	14,262	9,326	28,351
Income tax expense	<u>(4,302)</u>	<u>(7,853)</u>	<u>(738)</u>	<u>(5,945)</u>
Profit for the period/ year	<u>13,367</u>	<u>6,409</u>	<u>8,588</u>	<u>22,406</u>
Profit attributable to owners of FGG	<u>19,343</u>	<u>10,318</u>	<u>8,124</u>	<u>18,439</u>

As illustrated above, the Target Group has recorded positive financial results for the three years ended 31 March 2013 and nine months ended 31 December 2013.

As advised by the Directors, the overall economic atmosphere of the US and Europe was not very favourable to the Target Group during the three years ended 31 March 2013 and the Target Group recorded decrease in revenue for the year ended 31 March 2012. Also, with the continuous increase in selling and distribution costs and the administrative costs, the Group recorded decrease in profit before tax for the year ended 31 March 2012. After the strategic acquisition of a new self-owned production base in Jordan in March 2012 and expansion of its leased factories in Cambodia, in addition to its self-owned production base in the PRC and the leased factories in Indonesia, the Target Group recorded increase in revenue for the year ended 31 March 2013. The Directors have further explained that labour import in Jordan is allowed and the labour cost in Cambodia is lower as compared with that of the PRC, and those garment products manufactured in these two countries also enjoy export duty free to the US, Canada and the European Union. Moreover, the production bases in

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the PRC, Indonesia, Cambodia and Jordan enabled the Target Group to execute its strategic initiatives to serve reputable brandname customers in different countries. For the year ended 31 March 2013, it is noted that gross profit recorded by the Group has been improved as principally driven by the increase in revenue, helped the Target Group to overcome the increase in costs and recorded profit before tax of approximately HK\$14.3 million.

For the nine months ended 31 December 2013, the Target Group recorded revenue of approximately HK\$587.2 million and gross profit of approximately HK\$118.3 million. During the period, the gross profit margin of the Target Group has been improved to approximately 20.1% (as compared to that of approximately 19.2% for the year ended 31 March 2013), which was, as advised by the Directors, principally due to the development of a branded customer with higher gross profit margin with shipments started in the financial year ending 31 March 2014. Moreover, the Target Group recorded an aggregate of other income and other gains and losses of approximately HK\$7.5 million (as compared to that of approximately HK\$5.9 million for the year ended 31 March 2013), principally attributable to the gain on fair value changes on derivative financial instruments in relation to the hedging of exchange rate risk of the Target Group's operation for the nine months ended 31 December 2013. On the other hand, the effective tax rate of the Target Group during the nine months ended 31 December 2013 was also reduced as the main production site for the new branded customer was in Jordan where the Target Group could enjoy certain tax exemption. As a result, the Target Group recorded an unaudited profit for the period of approximately HK\$13.4 million and unaudited profit attributable to owners of FGG of approximately HK\$19.3 million for the nine months ended 31 December 2013.

Set out below is the breakdown of net assets value of the Target Group as at 31 December 2013 as extracted from Appendix I to this circular:

	As at 31 December 2013 <i>HK\$' million</i>
Non-current assets	164.2
Current assets	386.6
Current liabilities	269.0
Non-current liabilities	3.8

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As at 31 December 2013, the Target Group had net assets of approximately HK\$278.0 million. As advised by the Directors, the amount owing by the Target Group to the FGG Remaining Group of approximately HK\$89.3 million as at 31 December 2013 will be fully settled upon the Share Sale Completion.

The FGG Remaining Group

As referred to in the unaudited pro forma consolidated statement of profit and loss of the FGG Remaining Group as set out in Appendix II to this circular, assuming the Acquisition had completed on 1 April 2012, the FGG Remaining Group would have recorded revenue of approximately HK\$315.3 million, gross profit of approximately HK\$26.8 million, loss before taxation of approximately HK\$1.6 million and loss after taxation of approximately HK\$8.9 million, which was calculated after taking into account certain adjustments including, among other things, (i) the estimated legal and professional fees directly attributable to the Acquisition of approximately HK\$5.7 million, (ii) the capital gains tax directly attributable to the Acquisition of approximately HK\$4.6 million, (iii) the reclassification of exchange differences accumulated in equity as at 1 April 2012 to other gain of the FGG Remaining Group in respect of foreign operations of the Target Group of approximately HK\$6.4 million, and (iv) the management fee charged to FG International by FGG.

In addition, as set out in Appendix II to this circular, assuming the Acquisition had completed and the payment of the Special Cash Dividend had been made on 30 September 2013, the FGG Remaining Group would have net assets attributable to shareholders of FGG of approximately HK\$36.8 million. The principal assets of such FGG Remaining Group would be bank balances and cash of approximately HK\$42.0 million, and trade and bills receivables of approximately HK\$42.2 million, assuming that the amount owing by the Target Group to the FGG Remaining Group of approximately HK\$92.3 million as at 30 September 2013 had been fully settled in cash.

4. General industry outlook on the garment business

According to the 2013 FGG Annual Report, the FGG Group had an extensive customer base across different countries including, but not limited to, the US, the PRC, Europe, Canada, Jordan, Hong Kong and Cambodia, while as advised by the management of the Company, the customer base of the Target Group also covered the aforesaid countries. Based on the 2013 FGG Annual Report and as advised by the management of the Company, the US is the single largest market for both the FGG Group and the Target Group which accounted for over 60% of the revenue of both FGG Group and the Target Group for the two years ended 31 March 2013. On the other hand, the production base (either self-owned or leased) of the FGG Group and the Target Group were located in the

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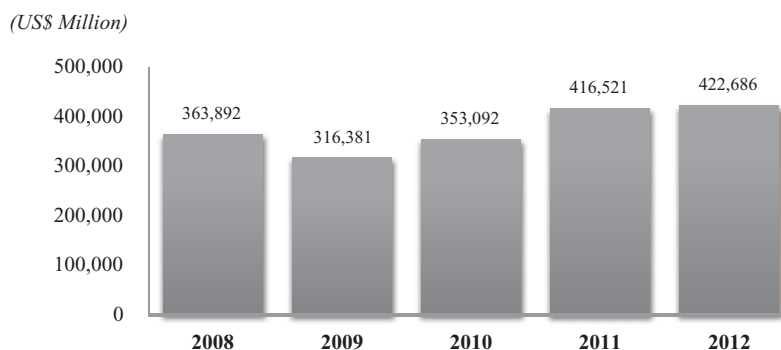
PRC, Indonesia, Cambodia and Jordan as at the Latest Practicable Date. Accordingly, our analysis below focuses on the international trade of garment products and the US market.

4.1.1 International trade of garment products

According to the World Trade Organisation (“WTO”), since 1 January 1995, international textiles and clothing trade has been going through fundamental change under the 10-year transitional programme of the WTO’s Agreement on Textiles and Clothing (“ATC”). Before the ATC took effect, a large portion of textiles and clothing exports from developing countries to the industrial countries was subject to quotas under a special regime outside normal general agreement on tariffs and trade (“GATT”) rules. Under the ATC, members of WTO have committed themselves to remove the quotas by 1 January 2005 by integrating the sector fully into GATT rules. The removal of quota has facilitated the international trade of textiles especially encouraging the setting up of production facilities in developing countries to make use of their resources at a lower cost as compared to the developed countries.

Set out below is the chart showing the values of the exported clothing of the world from 2008 to 2012:

World’s exported clothing (2008 to 2012)



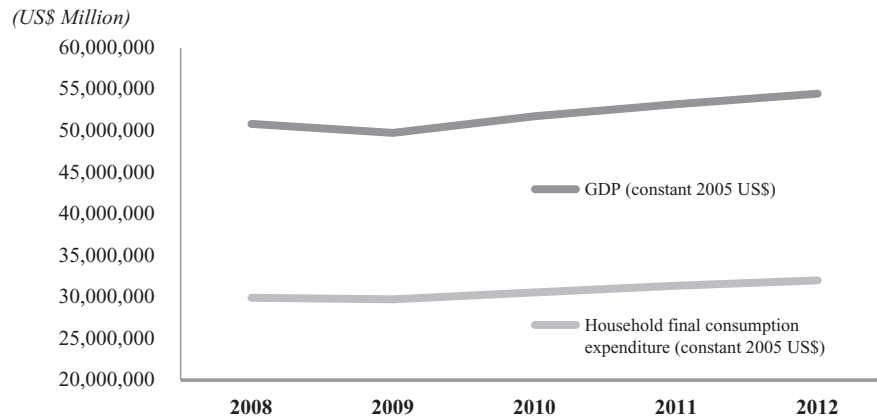
Source: WTO

As illustrated above, subsequent to the financial tsunami which severely hit the global economy, the world’s exported clothing had increased since 2009 from approximately US\$316.4 billion in 2009 to approximately US\$422.7 billion in 2012, representing a compound annual growth rate (“CAGR”) of approximately 10.1%. During 2008 to 2012, the four developing countries which the Target Group’s production bases (either self-owned or leased) are located, namely PRC, Indonesia, Cambodia and Jordan, had made contribution to the world export in an increasing trend, from approximately 35.9% in 2008, to 36.8% in 2009, 39.8% in 2010, 40.1% in 2011 and 40.8% in 2012.

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Set out below are two major economic indicators of the world, namely the gross domestic products (“GDP”) and household final consumption expenditure, adjusted to constant 2005 US\$, from 2008 to 2012:

World’s GDP and household consumption expenditure (2008 to 2012)



Source: World Bank

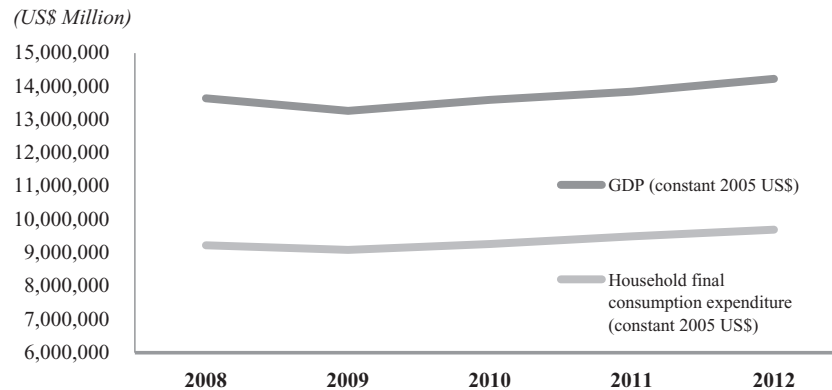
As illustrated above, both the GDP and the household final consumption expenditures of the world declined in 2009 after the global financial tsunami, while it recovered with a positive continuous growth since then. Both the world’s GDP and household final consumption expenditures took a relatively stable growth trend at a CAGR of approximately 3.1% and 2.3%, respectively, from 2009 to 2012.

4.1.2 The US market

The US market is the single largest market of the FGG Group and the Target Group. Similar to other countries of the world, the economy of the US has been severely affected by the financial tsunami. Set out below are two financial indicators of the US, namely the gross domestic products and household final consumption expenditure, adjusted to constant 2005 US\$, from 2008 to 2012:

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US's GDP and household consumption expenditure (2008 to 2012)

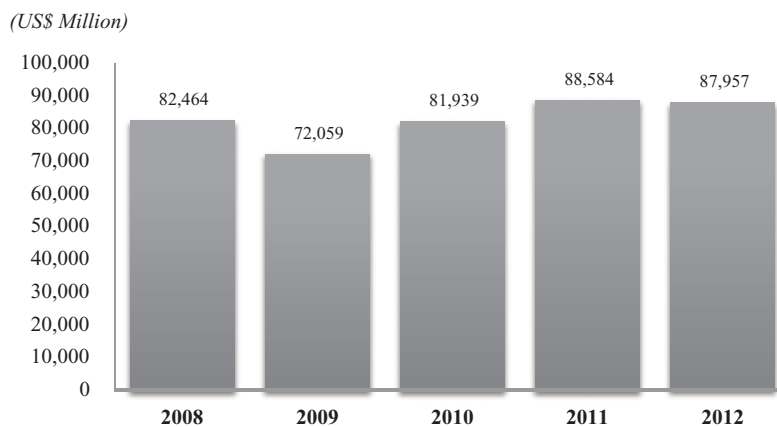


Source: World Bank

As illustrated above, both the GDP and the household final consumption expenditures of the US declined in 2009 after the global financial tsunami, while it recovered with a positive continuous growth since then. Both the US's GDP and household final consumption expenditures took a relatively stable growth trend at a CAGR of approximately 2.4% and 2.2%, respectively, from 2009 to 2012, which were relatively lower than that of the world.

The US market is one of the largest importers of clothing in the world. According to the WTO, the US market imported approximately 20% of the world's total import of clothing in 2012. Set out below is the import of clothing by the US market from 2008 to 2012:

US's imported clothing (2008 to 2012)



Source: WTO

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As illustrated above, subsequent to the financial tsunami, the US's imported clothing had increased since 2009 from approximately US\$72.1 billion in 2009 to approximately US\$88.0 billion in 2012, representing a CAGR of approximately 6.9%. Furthermore, according to WTO, clothing exported from Asia to the US represented over 70% of the world's total export of clothing to the US from 2008 to 2012.

From the above analyses, it is noted that the world's market, including the US market, of clothing are recovering which are in line with the recovery of the global economy. In addition, in view of the globalisation of world economy and, as referred to in the above, the four developing countries which the Target Group's production bases (either self-owned or leased) are located (namely the PRC, Indonesia, Cambodia and Jordan), had made contribution to the world export in an increasing trend, the Company considered that the strategic locations of these production facilities could enable the Target Group to keep abreast of the market development on the garment industry as well as the customers' needs on the knitted fabric and dyed yarn products of the Group. In light of the above, we concur with the Directors' view that the Manufacturing Business is vertically integrated with and complement to the Group's fabric manufacturing business and the increase in effective interest in the Target Group through the Acquisition is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Acquisition Agreement

On 14 March 2014, FGG and Sure Strategy entered into the Acquisition Agreement. The principal terms of the Acquisition Agreement are set out in the Letter from the Board:

5.1 Assets to be acquired

The Target Shares, representing the entire issued share capital of FG Holdings. FG Holdings will hold the Target Group Entities engaging in the Manufacturing Business upon completion of the FGG Group Reorganisation.

5.2 Consideration of the Acquisition

As stated in the Letter from the Board, the total consideration for the Acquisition is HK\$270,000,000, and is arrived at after arm's length negotiations, taking into account unaudited net asset value of the Target Group as at 30 September 2013 and the fact that results and assets of the Target Group have already been consolidated into the results of the Company.

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5.3 Our analysis on the consideration of the Acquisition

In assessing the fairness and reasonableness of the consideration of the Acquisition, we have reviewed the price-to-earnings ratio (the “**P/E Ratio**”) and the price to book ratio (the “**P/B Ratio**”) as part of our analysis.

As set out in Appendix I to this circular, the Target Group recorded unaudited profit attributable to its shareholders of approximately HK\$10.3 million for the year ended 31 March 2013 and, the Target Group recorded unaudited net assets of approximately HK\$278.0 million as at 31 December 2013. Accordingly, the implied P/E Ratio and P/B Ratio of the Acquisition is approximately 26.2 times and 0.97 times, respectively. For the nine months ended 31 December 2013, the Target Group recorded an unaudited profit attributable to its shareholders of approximately HK\$19.3 million.

We considered companies which (i) are principally engaged in the manufacturing and sale of garment products; (ii) have revenue from sale of garment products representing not less than 70% of the total revenue for the latest financial year; (iii) have revenue derived from sale of garment products exceeding HK\$100 million for the latest financial year; (iv) have revenue generated from sales of own brand products or retail sales does not exceed 20% of the total revenue; and (v) shares are listed on the main board of the Stock Exchange (the “**Garment Manufacturing Comparables**”) to be appropriate for the purpose of our analysis. Based on the aforesaid selection criteria and our searches conducted on a best effort basis on Bloomberg and the website of the Stock Exchange, we have identified an exhaustive list of 10 companies and the list of which and their respective P/E Ratio and P/B Ratio are set out below.

Company (stock code)	Principal activities	Closing price as at the Latest Practicable Date (HK\$)	Market capitalisation (HK\$ million)	P/E Ratios (Note 1)	P/B Ratios (Note 2)
YangtzeKiang Garment Limited (294)	Manufacture and sale of garments and textiles, the provision of processing services and the rental of properties.	2.68	554	10.44	0.43
Luen Thai Holdings Limited (311)	Manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services.	2.28	2,358	6.31	0.81
High Fashion International Limited (608)	Manufacture, trading and retailing of garments.	2.98	886	4.55	0.33

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Company (stock code)	Principal activities	Closing price as at the Latest Practicable Date (HK\$)	Market capitalisation (HK\$ million)	P/E Ratios (Note 1)	P/B Ratios (Note 2)
Carry Wealth Holdings Limited (643)	Manufactures and trades garment products.	0.57	458	N/A (Loss making)	1.58
China Outfitters Holdings Limited (1146)	Apparel design, manufacturing, marketing and sales company in the PRC with a focus on menswear including smart casual wear, outdoor casual wear, leisure wear and accessories.	1.11	3,824	8.30	1.53
Fornton Group Limited (1152)	Manufactures an extensive assortment of knitwear products ranging from classically styled wardrobe basics to high quality fashion apparel.	1.16	1,104	N/A (Loss making)	7.28
Shenzhou International Group Holdings Limited (2313)	Manufacturing and sale of knitwear products.	26.65	37,283	17.23	3.01
Eagle Nice (International) Holdings Limited (2368)	Manufacture and trading of sportswear and garments.	1.21	605	8.29	0.51
Pak Tak International Limited (2668)	Manufacture of and trading in knit-to-shape garments.	0.69	976	N/A (Note 3)	4.29
Win Hanverky Holdings Limited (3322)	Manufacturing, distribution and retailing of garment products, including sportswear, golf and high-end fashion apparel and related accessories.	1.06	1,345	8.89	0.60
				Minimum	0.33
				Maximum	7.28
				Average	2.04
The Acquisition				26.2	0.97

Source: The Stock Exchange's website and Bloomberg

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Notes:

1. P/E Ratios of the Garment Manufacturing Comparables are calculated based on their respective closing prices as at the Latest Practicable Date and the net profit of the Garment Manufacturing Comparables attributable to their respective shareholders as extracted from their respective latest annual report/annual result announcement divided by the total number of issued shares as at their respective year end dates (and adjusted by any share consolidation or share subdivision subsequent thereto).
2. P/B Ratios of the Garment Manufacturing Comparables are calculated based on their respective closing prices as at the Latest Practicable Date and the net assets value of the Garment Manufacturing Comparables attributable to their respective shareholders as extracted from their respective latest published balance sheet divided by the total number of issued shares as at their respective balance sheet dates (and adjusted by any share consolidation or share subdivision subsequent thereto).
3. Pak Tak International Limited recorded a profit attributable to its shareholders of approximately HK\$3.1 million for the year ended 31 March 2013, resulting a P/E Ratio of approximately 259.82 times based its closing price as at the Latest Practicable Date. Such P/E Ratio is considered exceptional among the Garment Manufacturing Comparables, and is, therefore, excluded from the analysis above.

As shown in the table set out above, the average P/E Ratio and P/B Ratio of the Garment Manufacturing Comparables is approximately 9.14 times and 2.04 times, respectively. The implied P/E Ratio in relation to the Acquisition of approximately 26.2 times were above the range, and P/B Ratio in relation to the Acquisition of approximately 0.97 times was below the average and within the range of the Garment Manufacturing Comparables.

Notwithstanding that the implied P/E Ratio in relation to the Acquisition is higher than the range of the Garment Manufacturing Comparables, it is noted that the Target Group has recorded an unaudited net profit attributable to its shareholders of approximately HK\$19.3 million for the nine months ended 31 December 2013 which has outperformed than that of the Target Group of approximately HK\$10.3 million for the year ended 31 March 2013. In addition, the consideration of the Acquisition represents a discount of approximately 3.0% to the unaudited net assets value of the Target Group as at 31 December 2013 and, based on the above analysis on the Garment Manufacturing Comparables, the implied P/B Ratio of the Acquisition is below the average of the Garment Manufacturing Comparables.

Based on the aforesaid and taking into account the fact that members of the Target Group have been indirect subsidiaries of the Company and their results have been consolidated into financial statements of the Company, we are of the view that the consideration for the Acquisition is fair and reasonable and in the interests of the Independent Shareholders as a whole.

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6. Principal terms of the Share Sale Agreement

On 14 March 2014, the Vendors and Unitech Enterprises entered into the Share Sale Agreement. The principal terms of the Share Sale Agreement are set out in the Letter from the Board:

6.1 Assets to be disposed of

The Sale Shares, comprising a total of 320,000,000 FGG Shares, representing approximately 62.89% of the entire issued share capital of FGG as at the Latest Practicable Date and approximately 61.56% of the entire issued share capital of FGG on a fully-diluted basis (assuming all Outstanding FGG Share Options have been exercised).

6.2 Consideration of the Share Sale

As stated in the Letter from the Board, the total consideration for the Sale Shares is HK\$258,560,000 (equivalent to HK\$0.808 per Sale Share), and is arrived at 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 FGG Remaining Group; (iii) the then prevailing market prices of the FGG Shares as at the time of negotiation between Unitech Enterprises and the Vendors; (iv) the special deals for FGG; and (v) the fact that Unitech Enterprises will be able to exercise statutory control over FGG upon Share Sale Completion.

6.3 Our analysis on the consideration of the Share Sale

(a) Market comparables

In assessing the fairness and reasonableness of the consideration of the Share Sale, we have also considered the P/E Ratio and P/B Ratio in our analysis.

As set out in the unaudited pro forma income statement of the FGG Remaining Group as set out in Appendix II to this circular, assuming the Acquisition had completed on 1 April 2012, the FGG Remaining Group would record a loss attributable to the shareholders of FGG of approximately HK\$8.9 million for the year ended 31 March 2013, which included pro forma adjustments of (i) estimated reclassification of exchange differences accumulated in equity to other gain as a result of the Acquisition of approximately HK\$6.4 million, (ii) estimated professional fee attributable in relation to the Acquisition of approximately HK\$5.7 million, (iii) PRC and Indonesian capital gains tax payable in relation to the Acquisition of approximately HK\$4.6 million and (iv) management fee of approximately HK\$5.0

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million. If the aforesaid pro forma adjustments relating to the Acquisition and the share based payments of approximately HK\$12.1 million were not taking into account, the FGG Remaining Group would have recorded a profit of approximately HK\$12.1 million for the year ended 31 March 2013 (the “**Reference FGG Group Profit**”).

On the other hand, based on the unaudited pro forma statement of the financial position of the FGG Remaining Group assuming the Acquisition had completed and the Special Cash Dividend had been paid on 30 September 2013 as set out in Appendix II to this circular, the FGG Remaining Group would have had net assets attributable to shareholders of FGG of approximately HK\$36.8 million. Based on the aforesaid and taking into account of (i) the increase in net assets attributable to shareholders of FGG of approximately HK\$47.0 million as a result of the exercise of 62,140,000 share options of FGG subsequent to 30 September 2013 as advised by the Company; (ii) the additional Special Cash Dividend to be distributed by FGG of approximately HK\$44.7 million in relation to the additional 62,140,000 FGG Shares issued by the FGG from 1 October 2013 to the Latest Practicable Date; and (iii) the 508,832,000 FGG Shares in issue as at the Latest Practicable Date, the consolidated net asset value of FGG attributable to its shareholders would become approximately HK\$0.077 per FGG Share (the “**Reference FGG Group NAV per share**”).

Accordingly, based on (i) the 438,120,000 FGG Shares in issue as at 31 March 2013 and the Reference FGG Group Profit; and (ii) 508,832,000 FGG Shares in issue as at the Latest Practicable Date and the Reference FGG Group NAV per share, the implied P/E Ratio and P/B Ratio of the Share Sale would be approximately 29.3 and 10.5 times (based on consideration of HK\$0.808 per Sale Share and without taking into account the Special Cash Dividend of HK\$0.72 per FGG Share to be received by the Company), respectively, and approximately 55.3 and 19.8 times (based on consideration of HK\$0.808 per Sale Share and after taking into account the Special Cash Dividend of HK\$0.72 per FGG Share to be received by the Company), respectively.

We considered companies which (i) are principally engaged in the trading of garment products without its own and/or leased manufacturing base; (ii) have revenue from sale of garment products of not less than 70% of the total revenue but exceeding HK\$100 million for the latest financial year; (iii) have revenue generated from sales of own brand products or retail sales not exceeding 20% of the total revenue; and (iv) shares are listed on the main board of the Stock Exchange (the “**Garment Sourcing Comparables**”) to be appropriate for the purpose of our analysis. Based on the aforesaid selection criteria and our searches conducted on a best effort basis on Bloomberg and the

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website of the Stock Exchange, we have identified an exhaustive list of 3 companies which we considered fair and representative and the relevant information of which are set out below.

Company (stock code)	Principal activities	Closing price as at the Latest Practicable Date (HK\$)	Market capitalisation (HK\$ million)	P/E ratios (Note 1) (times)	P/B ratios (Note 2) (times)
Speedy Global Holdings Limited (540)	Apparel supply chain servicing business and apparel retail business.	0.35	210	10.13	1.13
Takson Holdings Limited (918)	Sourcing, subcontracting, marketing and selling of garments and sportswear products, and property investment.	0.85	659	47.25	8.19
Li & Fung Limited (494) (Note 4)	Trading, logistics and distribution of consumer products	11.14	93,135	16.57	2.39
			Minimum	10.13	1.13
			Maximum	47.25	8.19
			Average	24.65	3.90
The Share Sale	Without taking into account the Special Cash Dividend			29.3	10.5
	After taking into account the Special Cash Dividend			55.3	19.8

Source: The Stock Exchange's website and Bloomberg

Notes:

1. P/E Ratios of the Garment Sourcing Comparables are calculated based on their respective closing prices as at the Latest Practicable Date and the net profit of the Garment Sourcing Comparables as extracted from their respective latest annual report divided by the total number of issued shares as at their respective financial year end dates (and adjusted by any share consolidation or share subdivision subsequent thereto).
2. P/B Ratios of the Garment Sourcing Comparables are calculated based on their respective closing prices as at the Latest Practicable Date and the net assets value of the Garment Sourcing Comparables as extracted from their respective latest published balance sheet divided by the total number of issued shares as at their respective balance sheet dates (and adjusted by any share consolidation or share subdivision subsequent thereto).
3. The Garment Sourcing Comparables did not record or only recorded minimal share based payment expenses in their respective latest financial year end.

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4. It is noted that the scale of operation of Li & Fung is larger than that of each the FGG Remaining Group and the other Garment Sourcing Comparables. Having regarded that its respective P/B Ratio and the P/E Ratio were not anomalous and the number of Garment Sourcing Comparables was relatively limited based on our search results, we considered that it is acceptable to include it as one of the Garment Sourcing Comparables in the analysis.

As shown in the table set out above, the average P/E Ratio and P/B Ratio of the Garment Sourcing Comparables is approximately 24.65 times and 3.90 times, respectively. It is noted that the (i) implied P/E Ratio in relation to the Share Sale (without taking into account of the Special Cash Dividend) of approximately 29.3 times was above the average and within the range; (ii) implied P/E Ratio in relation to the Share Sale (after taking into account of the Special Cash Dividend) of approximately 55.3 times was above the upper range; and (iii) the implied P/B Ratio in relation to the Share Sale (without taking into account of the Special Cash Dividend) of approximately 10.5 times and the implied P/B Ratio in relation to the Share Sale (after taking into account of the Special Cash Dividend) of approximately 19.8 times were above the upper range of the Garment Sourcing Comparables.

In the event that the Outstanding FGG Share Options are fully exercised immediately before completion of the Share Sale, the implied P/E Ratio and P/B Ratio of the Share Sale would be approximately 29.3 times and 11.1 times (without taking into account of the Special Cash Dividend); and approximately 55.3 times and 20.9 times (after taking into account of the Special Cash Dividend), respectively.

(b) Analysis on the net effect of the Share Sale, the Acquisition and the Special Cash Dividend

As discussed in the paragraph headed “1. Overview on the Share Sale and the Acquisition” above, upon completion of the Share Sale, the Acquisition and the distribution of the Special Cash Dividend to the Company, based on 508,832,000 FGG Shares in issue as at the Latest Practicable Date, the Company will be effectively disposing of approximately 32.07% effective interest in the FGG Remaining Group through the Share Sale, and in turn, acquiring approximately 18.93% effective interest in the Target Group and receiving a net cash of approximately HK\$111.7 million. In this respect, we have considered the implied P/E Ratio and the P/B Ratio in disposing of approximately 32.07% effective interest in the FGG Remaining Group (based on the Reference FGG Group Profit and the Reference FGG Group NAV per share respectively) represented by HK\$111.7 million net cash to be received by the Company (without taking into account the increase in the effective interest in the Target Group of approximately 18.93%), which amounted to approximately 28.8 times and 8.9 times, respectively.

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As shown in the table in sub-paragraph (a) in this section above, the average P/E Ratio and P/B Ratio of the Garment Sourcing Comparables is approximately 24.65 times and 3.90 times, respectively. The implied P/E Ratio in relation to the effective net cash to be received by the Company in disposing of the 32.07% effective interest in the FGG Remaining Group of approximately 28.8 times were above the average and within the range, and P/B Ratio in relation to the effective net cash to be received by the Company in disposing of the 32.07% effective interest in the FGG Remaining Group of approximately 8.9 times was above the upper range of the Garment Sourcing Comparables.

In the event that the Outstanding FGG Share Options are fully exercised immediately before the completion of the Share Sale, the implied P/E Ratio in relation to the effective net cash to be received by the Company in disposing of the 31.40% effective interest in the FGG Remaining Group of approximately 29.4 times were above the average and within the range, and P/B Ratio in relation to the effective net cash to be received by the Company in disposing of the 31.40% effective interest in the FGG Remaining Group of approximately 9.4 times was above the upper range of the Garment Sourcing Comparables.

In respect of the analysis regarding the increase in the effective interest in the Target Group of approximately 18.93% by the Group as contemplated under the Acquisition, please refer to paragraph headed “5. Principal terms of the Acquisition Agreement” above in this section.

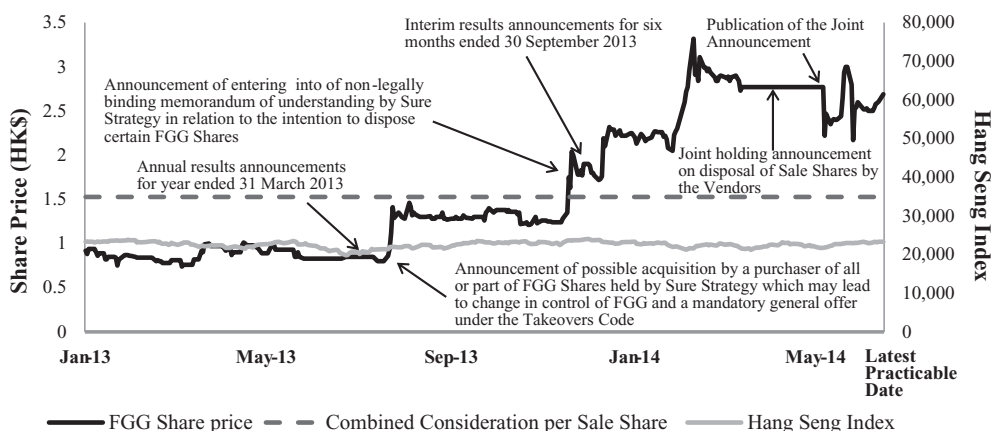
(c) Historical share price of FGG

As stated in the Letter from the Board, the consideration of the Sale Shares has been determined based on, among other things, the then prevailing market price 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.

In assessing the fairness and reasonableness of the consideration for the Sale Shares, we have also compared the historical share price of the FGG Shares with the consideration for each Sale Share of HK\$0.808 together with the Special Cash Dividend to be received by the Vendors of approximately HK\$0.72 per FGG Share (collectively the “**Combined Consideration per Sale Share**”).

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Set out below is the movement of the closing prices of the FGG Shares at the Stock Exchange from 1 January 2013 to the Latest Practicable date (the “**Relevant Period**”):



At the beginning of the Relevant Period, during the period from 1 January 2013 to 27 June 2013, the closing price of FGG Shares fluctuated within the range between HK\$0.74 per FGG Share and HK\$1.01 per FGG Share. On 28 June 2013, FGG published the annual results announcement for the year ended 31 March 2013, which showed an increase in net profit attributable to shareholders of FGG from approximately HK\$7.3 million for the year ended 31 March 2012 to approximately HK\$11.2 million for the year ended 31 March 2013. The closing prices of FGG Share remained stable before and after the publication of such an announcement and closed at HK\$0.85 on 28 June 2013 and 2 July 2013, being the first trading date after the publication of such announcement.

Following the announcement of, among other things, a possible acquisition by a purchaser of all or part of FGG Shares held by Sure Strategy which may lead to change in control of FGG and a mandatory general offer under the Takeovers Code for all issued FGG Shares after trading hours on 24 July 2013 (the “**2013 July Announcement**”), the share price of FGG Shares went up from the closing price of HK\$1.12 on 24 July 2013 to a closing price of HK\$1.41 on 25 July 2013, representing an increase of approximately 25.9% in one trading day. The closing price of FGG Shares fluctuated thereafter while maintained an increasing trend.

On 29 November 2013, FGG published the interim results announcement for the six months ended 30 September 2013, which showed an increase in net profit attributable to shareholders of FGG from approximately HK\$5.3 million for the six months ended 30 September 2012 to approximately HK\$15.2 million for the six months ended 30 September 2013. However, the share price of the FGG Shares plunged notably from closing at HK\$1.9 on 29 November 2013 to

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closing at HK\$1.72 on 9 December 2013. On 19 December 2013, FGG announced (the “**2013 December Announcement**”) that Sure Strategy has entered into a memorandum of understanding on 18 December 2013 pursuant to which Sure Strategy intended to sell or procure to sell (as appropriate) and the proposed purchaser intended to purchase certain FGG Shares which shall represent 62% of the total issued share capital of FGG. After that, the share price of the FGG Shares has been traded above the Combined Consideration per Sale Share following the December Announcement and the closing price of FGG Shares continued to show its growth momentum and reached a recent high in closing price of HK\$3.32 on 10 February 2014, representing an increase of approximately 196.4% over the closing price of HK\$1.12 on 24 July 2013, being the date of the 2013 July Announcement.

The trading in FGG Shares was suspended on 17 March 2014, pending the release of the Joint Announcement, which was subsequently jointly published by the Company, FGG and Unitech Enterprises on 7 May 2014. Subsequent to the publication of the Joint Announcement, the closing price of the FGG Shares dropped from HK\$2.77 on the Last Trading Date, to HK\$2.22 on 8 May 2014, being the first trading day of resumption in trading of the FGG Shares immediately after the publication of the Joint Announcement.

As shown in the chart above, the closing prices of the FGG Shares were generally in line with the performance of the Hang Seng Index during the Relevant Period prior to the publication of the 2013 July Announcement. While the closing prices of the FGG Share increased notably only after the publication of the 2013 July Announcement and we concur with the view of the Company that (i) such increase may be driven by the possible disposal of controlling interest in FGG by the Group given the closing prices of the FGG Share did not experience material fluctuation after the publication of the financial results of FGG and no other price sensitive announcement have been made by FGG during the Relevant Period; and (ii) the then closing prices of FGG Shares subsequent to the 2013 July Announcement comprised speculative component and may not reflect the true value of FGG Shares. Moreover, it was stated in the Letter from the Board that the increasing trend in the closing prices of FGG from the date of the Joint Announcement to the Latest Practicable Date may be a result of (i) market speculation due to the identity of the purchaser who will make mandatory unconditional cash offers to acquire all the issued FGG Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it and to cancel all the outstanding share options; and (ii) the expectations FGG Shareholders may have over the potential opportunities the purchaser, along with its expertise in the IoT industry, can bring to FGG. Based

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on the aforesaid, we consider that it is appropriate for us to compare the Combined Consideration per Sale Shares to the closing prices of FGG Shares prior to the 2013 July Announcement in our analysis.

The Combined Consideration per Sale Share represented (i) a premium over the closing prices of the FGG Share, ranging from approximately 51.3% to 106.5%, during the Relevant Period prior to the publication of the 2013 July Announcement; (ii) a premium of approximately 4.7% to 36.4% over the closing prices of FGG Shares, ranging from HK\$1.12 to HK\$1.46, between the date of the 2013 July Announcement and 15 November 2013, before the closing prices of the FGG Share increased notably prior to the 2013 December Announcement; (iii) discount of approximately 44.8% to the closing price of HK\$2.77 per FGG Share as quoted on the Stock Exchange on the Last Trading Date; (iv) discount of approximately 41.5% to the average closing price of HK\$2.564 per FGG Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Latest Practicable Date; and (v) discount of approximately 40.4% to the closing price of HK\$2.61 per FGG Share as quoted on the Stock Exchange on the Latest Practicable Date. Meanwhile, the Combined Consideration per Sale Share represents a premium of approximately 80.6% over the unaudited consolidated net assets per FGG Share of approximately HK\$0.846 as at 30 September 2013 (calculated based on FGG's unaudited consolidated net assets attributable to equity holders of FGG of approximately HK\$377.7 million at 30 September 2013 and 446,692,000 FGG Shares in issue as at 30 September 2013).

Shareholders should be reminded that the abovementioned prices represented the historical performance in market prices of FGG Shares without taking into account of, among other things, the Acquisition and the Special Cash Dividend. Accordingly, the aforesaid historical closing prices of FGG Share shall not be construed as indication or analysis of the future trading prices of FGG Shares subsequent to the completion of Acquisition and the Special Cash Dividend.

(d) Our view

Given that (i) based on the total consideration for the Sale Shares of HK\$258,560,000 and the 508,832,000 FGG Shares in issue as at the Latest Practicable Date, the implied P/E Ratio in relation to the Share Sale of approximately 29.3 times were above average and within the range and the implied P/B Ratio in relation to the Share Sale of approximately 10.5 times was above the upper range of the Garment Sourcing Comparables; (ii) based on the net consideration to be received by the Company as a result of the Share Sale, the Acquisition and the payment of Special Cash Dividend in disposing of the 32.07% effective interest in the FGG Remaining Group (without taking into account the increase in the effective interest in the Target Group of

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approximately 18.93% by the Company as contemplated under the Acquisition) and 508,832,000 FGG Shares were in issue as at the Latest Practicable Date, the respective implied P/E Ratio is above the average and within the range of the Garment Sourcing Comparables and P/B Ratio is above the upper range of the Garment Sourcing Comparables; and (iii) the Sale Shares to be disposed by Sure Strategy and Victory City Investments under the Share Sale involved a relatively bulk number of FGG Shares, the share price of the FGG Share has been traded mostly at around or below the Combined Consideration per Sale Share during the Relevant Period prior to the 2013 December Announcement and the Combined Consideration per Sale Share has represented a premium over the closing prices of FGG Shares during the Relevant Period prior to the publication of the 2013 July Announcement, we are of the view that the consideration for the Share Sale is fair and reasonable and in the interests of the Independent Shareholders as a whole. We also concur with the Directors' view that the Share Sale will enable the Group to realize its investments in the FGG Remaining Group at a fair price.

7. Financial effect of the Share Sale and the Acquisition

a. Earnings

As advised by the Company, as members of the Target Group have been accounted for as subsidiaries of the Company prior to the Share Sale and the Acquisition, no gain or loss in relation to the acquisition of further interest in the Target Group as contemplated under the Acquisition by the Group would be recognised.

Based on (i) the unaudited pro forma adjusted net assets value of the FGG Remaining Group attributable to the Group as at 30 September 2013 of approximately HK\$26.1 million (based on the unaudited pro forma adjusted net assets value of the FGG Remaining Group of approximately HK\$36.8 million as extracted from the unaudited pro forma financial information of FGG Remaining Group as set out in Appendix II to this circular assuming the Share Sale and the Acquisition had been completed and the Special Cash Dividend had been paid on 30 September 2013, and the equity interest of the Group in FGG of approximately 71.11% (calculated based on the aggregate 317,648,000 FGG Shares held by the Group and 446,692,000 FGG Shares in issue as at 30 September 2013)); (ii) the estimated transaction costs of approximately HK\$2.5 million to be incurred by the Group as advised by the Company; (iii) the increase in liabilities from tax indemnity of approximately HK\$3.4 million for the Group under the Share Sale Agreement; and (iv) the aggregate consideration receivable by the Group under the Share Sale of approximately HK\$256.6 million, it is expected that a profit of approximately HK\$224.6 million would be recorded by the Group as a result of the Share Sale and the payment of the Special Cash Dividend by FGG. After excluding the expected profit attributable to non-controlling

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interest of Sure Strategy, it is expected that profit attributable to the Shareholders as a result of the Share Sale and the payment of the Special Cash Dividend by FGG would be approximately HK\$115.4 million.

Assuming the share options of FGG exercised subsequent to 30 September 2013 and the Outstanding FGG Share Options had been fully exercised on 30 September 2013, the total assets of FGG would be increased by in aggregate of approximately HK\$53.6 million in relation to the subscription monies therefrom, while the total aggregate amount of Special Cash Dividend would also be increased by approximately HK\$52.6 million. Combining these two effects, the unaudited pro forma adjusted net assets value of the FGG Remaining Group is expected to be increased by approximately HK\$1.0 million. On the other hand, given that aggregate interest of Sure Strategy and Victory City Investments in FGG would be diluted to approximately 61.1% as a result of the exercise of the share options of FGG by the holders thereof in full, it is expected that profit to be recorded by the Group as result of the Share Sale and the payment of the Special Cash Dividend by FGG would increase further.

Shareholders should note that the actual financial impact on the Share Sale to be recorded by the Company will depend on number of the FGG Shares in issue and the actual net assets value of the FGG Remaining Group on completion of the Share Sale and the Acquisition, and is subject to review by the auditors of the Company.

Upon completion of the Share Sale and the Acquisition, members of the FGG Remaining Group will cease to be subsidiaries of the Company and the results of the FGG Remaining Group will no longer be consolidated into the income statement of the Group, while the Target Group will remain to be subsidiaries of the Company and the results thereof will continue to be consolidated into the income statement of the Group.

b. Net assets value

Based on the 2013 Interim Report, the unaudited consolidated net assets value of the Group was approximately HK\$5,058.5 million as at 30 September 2013.

Assuming the Acquisition had completed on 30 September 2013 and based on 317,648,000 FGG Shares were held by the Company and there were 446,692,000 FGG Shares in issue as at 30 September 2013, it is expected that the net assets value of the Group would be decreased by approximately HK\$4.8 million which was principally due to the combining effect of the increase in the effective equity interest of the Target Group, the consideration to be paid to FGG and share of the relevant legal and professional fees and capital gain tax directly attributable to the Acquisition. Assuming the share options of FGG exercised subsequent to 30 September

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2013 and the Outstanding FGG Share Options had been fully exercised on 30 September 2013, it is expected that the net assets value of the Group would be decreased by approximately HK\$2.8 million instead.

Based on (i) the unaudited pro forma adjusted net assets value of the FGG Remaining Group attributable to the Group as at 30 September 2013 of approximately HK\$26.1 million (based on the unaudited pro forma adjusted net assets value of the FGG Remaining Group of approximately HK\$36.8 million as extracted from the unaudited pro forma financial information of FGG Remaining Group as set out in Appendix II to this circular assuming the Share Sale and the Acquisition had been completed and the Special Cash Dividend had been paid on 30 September 2013 multiplied by the equity interest of the Group in FGG of approximately 71.11% (calculate based on the aggregate 317,648,000 FGG Shares held by the Group and 446,692,000 FGG Shares in issue as at 30 September 2013)); (ii) the estimated transaction costs of approximately HK\$2.5 million to be incurred by the Group (excluding the FGG Group) as advised by the Company; (iii) the increase in liabilities from tax indemnity of approximately HK\$3.4 million for the Group (excluding the FGG Group) under the Share Sale Agreement; and (iv) the aggregate consideration receivable by the Group under the Share Sale of approximately HK\$256.6 million, it is expected that the net assets value of the Group (before non-controlling interest of Sure Strategy) would be increased by approximately HK\$224.6 million upon completion of the Share Sale and payment of the Special Cash Dividend by FGG, principally attributable to the expected profit as a result of the Share Sale and payment of the Special Cash Dividend by FGG as discussed above.

Assuming the share options of FGG exercised subsequent to 30 September 2013 and the Outstanding FGG Share Options had been fully exercised on 30 September 2013, it is expected that the net assets value of the Group (before non-controlling interest of Sure Strategy) would be further increased upon completion of the Share Sale and the payment of the Special Cash Dividend by FGG, principally attributable to the expected increase in profit as a result of the Share Sale and payment of the Special Cash Dividend by FGG as stated above.

c. Gearing

As at 30 September 2013, the bank borrowings of the Group amounted to approximately HK\$2,725.2 million, among which approximately HK\$18.4 million were attributable to the FGG Remaining Group, and the total equity of the Group amounted to approximately HK\$5,058.5 million, resulting in a gearing ratio (being the total bank borrowings divided by total equity of the Group) of approximately 0.54.

Assuming the Acquisition had completed on 30 September 2013 and based on 317,648,000 FGG Shares were held by the Company and there were 446,692,000 FGG Shares in issue as at 30 September 2013, it is

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expected that gearing ratio would increase slightly, while remained approximately 0.54, due to the decrease in net assets value of the Group of approximately HK\$4.8 million principally attributable to the combining effect of the increase in the effective equity interest of the Target Group, the consideration to be paid to FGG and share of the relevant legal and professional fees and capital gain tax directly attributable to the Acquisition. Assuming the share options of FGG exercised subsequent to 30 September 2013 and the Outstanding FGG Share Options had been fully exercised on 30 September 2013, it is expected that gearing ratio would also increase slightly due to the decrease in net assets value of the Group of approximately HK\$2.8 million.

Based on (i) the unaudited pro forma adjusted net assets value of the FGG Remaining Group attributable to the Group as at 30 September 2013 of approximately HK\$26.1 million (based on the unaudited pro forma adjusted net assets value of the FGG Remaining Group of approximately HK\$36.8 million as extracted from the unaudited pro forma financial information of FGG Remaining Group as set out in Appendix II to this circular assuming the Share Sale and the Acquisition had been completed and the Special Cash Dividend had been paid on 30 September 2013, and 317,648,000 FGG Shares in aggregate were held by the Group and there were 446,692,000 FGG Shares in issue as at 30 September 2013); (ii) the estimated transaction costs of approximately HK\$2.5 million to be incurred by the Group (excluding the FGG Group) as advised by the Company; (iii) the increase in liabilities from tax indemnity of approximately HK\$3.4 million for the Group (excluding the FGG Group) under the Share Sale Agreement; and (iv) the aggregate consideration receivable by the Group under the Share Sale of approximately HK\$256.6 million, it is expected that the gearing ratio (being the total bank borrowings divided by total equity of the Group) would be reduced to approximately 0.51 as a result of the reduction in bank borrowings of the Group of approximately HK\$18.4 million and the increase in total equity of the Group due to the recognition of the expected profit of approximately HK\$224.6 million as a result of the Share Sale and the payment of the Special Cash Dividend by FGG.

Assuming the share options of FGG exercised subsequent to 30 September 2013 and the Outstanding FGG Share Options had been fully exercised on 30 September 2013, it is expected that the total equity of the Group would be further enhanced upon completion of the Share Sale and the payment of the Special Cash Dividend by FGG and, accordingly, the gearing ratio of the Group would be further reduced.

Taking into account of the abovementioned decrease in net assets value of the Group of approximately HK\$4.8 million as a result of the Acquisition, and the reduction in bank borrowings of the Group of approximately HK\$18.4 million and the increase in total equity of the Group due to the recognition of the expected profit of approximately HK\$224.6 million as a

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result of the Share Sale and the payment of the Special Cash Dividend by FGG, the gearing ratio of the Group would be reduced to approximately 0.51.

d. Working capital

Based on the 2013 Interim Report, the Group had cash balance and bank of approximately HK\$1,670 million as at 30 September 2013, among which approximately HK\$7.0 million was attributable to the FGG Remaining Group.

Based on the aforesaid and (i) the consideration receivable by the Group in disposing of the 317,648,000 FGG Shares held by the Group of approximately HK\$256.6 million; (ii) the consideration payable by the Group for the Acquisition of HK\$270.0 million; (iii) the Special Cash Dividend receivable by the Group of approximately HK\$228.7 million; (iv) the amount due from the Target Group to the FGG Remaining Group, which will be settled in full by the Target Group in cash as part of the FGG Group Reorganisation, of approximately HK\$89.3 million as at 31 December 2013; (v) the aggregate of the transaction costs and tax indemnity borne by the Group (excluding the FGG Remaining Group) in relation to the Acquisition and the Share Sale of approximately HK\$5.6 million; and (vi) the fact that the assets and liabilities of the Target Group will remain consolidated into the financial statements of the Company, it is expected that the cash level of the Group would be increased by approximately HK\$113.4 million as a result of the completion of Share Sale and the Acquisition and the payment of the Special Cash Dividend by FGG.

As the consideration receivable by the Group under the Share Sale Agreement, the consideration payable by the Group under the Acquisition Agreement and the amount of Special Cash Dividend receivable by the Group would not be affected, we consider that the exercise of the Outstanding FGG Share Options by the holders thereof is not expected to have material impact on the working capital of the Group.

II. THE PROPOSED CONNECTED TRANSACTIONS

1. Background of the Guarantees

On 5 October 2010, the shares of FGG were listed and commenced trading on the Main Board of the Stock Exchange. Following completion of the spin-off and global offering of FGG, FGG remained as a subsidiary of the Company after its listing. As background information, it is noted that prior to the completion of the Spin-off in 2010, the Company had been providing corporate guarantee in favour of the lenders of certain facilities granted to FG International and certain of subsidiaries at the request of the relevant financial institutions. Similarly, Merlotte Enterprise had also provided pro-rata counter indemnities in favour of certain members of the Group in respect of the then guarantees provided by the

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Company or its wholly-owned subsidiaries. Upon the listing of FGG on the Stock Exchange in 2010, all of the relevant FGG Group's banking facilities and borrowings from various financial institutions, as secured by the corporate guarantees then given by the Company, were released and replaced by guarantees from FGG.

As at the Latest Practicable Date, FGG was providing corporate guarantee in respect of the Facilities in favour of the relevant Lenders, and the Facilities were granted to FG International and/or Value Plus. As each of FG International and Value Plus is a member of the Target Group, each of FG International and Value Plus will cease to be a subsidiary of FGG upon completion of the Acquisition. Upon completion of the Share Sale and the Acquisition, the Group will remain to be principally engaged in the production and sale of knitted fabric, dyed yarn and garment products, with each of FG International and Value Plus, the non-wholly owned subsidiaries of the Company, principally engaged in trading of garment products and accessories and the provision of quality inspection services.

The Facilities include term loan and normal trade lines (such as letters of credit and trust receipts) 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. Under the terms of the Facilities, the Company will be required to provide the Guarantees in favour of the Lenders in respect of the Facilities in the aggregate maximum amount of approximately HK\$603 million to be granted by the Lenders to FG International and Value Plus. For the year ended 31 March 2013, FG International and Value Plus in aggregate recorded unaudited revenue of approximately HK\$763.4 million, which represented approximately 71.3% of the revenue of the garment products segment of the Group for the year ended 31 March 2013.

As stated in the Letter from the Board, FG International and Value Plus has been and will continue to be responsible for the majority of the trading of garment products under the Manufacturing Business of the Target Group upon completion of the Acquisition. Given the significant contribution from FG International and Value Plus in the Group's garment product business, the management of the Company considers that the Group will benefit from the continuous growth in businesses of FG International and Value Plus. Accordingly, the Directors consider that the exposure of the Group to the liabilities under the Guarantees is commercially justifiable and is therefore in the interests of the Company to assist each of FG International and Value Plus to obtain the Facilities. Further, the Directors consider that the Proposed Connected Transactions will enable FG International and Value Plus, both being non-wholly owned subsidiaries of the Company engaging in the Manufacturing Business, to maintain their existing financial resources upon completion of the Acquisition, which is in the interests of the Company and the Shareholders as a whole.

Meanwhile, Merlotte Enterprise, a company wholly-owned by Mr. Choi and holding 49% equity interest in Sure Strategy, will give a pro-rata counter indemnity for the Guarantees ("**Counter Indemnity**").

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As FG International and Value Plus are private trading companies, the Facilities have been guaranteed by the corporate guarantee of FGG. The relevant Lenders have respectively and preliminarily indicated that, upon the release of corporate guarantee by FGG, corporate guarantee of another listed company would be required or the relevant terms of the Facilities would be revised unfavourably to FG International and Value Plus accordingly.

Although there are alternative means to obtain financing by FG International and Value Plus, such as supporting their business by means of shareholder loans or through equity financing, as advised by the Company, these alternatives would involve an outright cash payment by the Company and would have an immediate impact on the Group's cashflow. On the other hand, unless and until such time that the Guarantees would be called upon, the Company will only involve a secondary obligation of payment under the Guarantees.

In view of the aforesaid, we consider that the Proposed Connected Transactions will enable FG International and Value Plus, both being non-wholly owned subsidiaries of the Company engaging in the Manufacturing Business, to maintain their existing financial resources without affecting the Group's cash position upon completion of the Acquisition, which is in the interests of the Company and the Shareholders as a whole, and the provision of Guarantees by the Company is in its ordinary and usual course of business.

2. Terms of the Facilities

We have reviewed all the facilities letters offered by the Lenders to FG International and Value Plus and the major terms thereof are summarized as follows:

Banks	Facilities amount granted to FG International	Description of the Guarantees
DBS	HK\$75 million	the guarantee and indemnity to be given by the Company for all monies obligations and liabilities (actual or contingent) owned by FG International in favour of DBS to secure the DBS-FGI Facilities
Hang Seng	a combine limit of up to HK\$50 million, negotiation under documentary credits with discrepancy of HK\$25 million and treasury product facility of HK\$123 million	the deed of guarantee to be given by the Company for HK\$ 127 million in favour of Hang Seng to secure the HS-FGI Facilities
HSBC	a combine limit of up to approximately HK\$70 million and Renminbi investment loan of approximately HK\$22.6 million	the guarantees to be given by the Company for an aggregate of HK\$120 million in favour of HSBC to secure the HSBC-FGI Facilities

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Banks	Facilities amount granted to FG International	Description of the Guarantees
CITIC	HK\$50 million and a foreign exchange accumulator on case-by-case basis	the guarantee and indemnity to be given by the Company for HK\$130 million in favour of CITIC to secure the CITIC-FGI Facilities
Wing Hang	HK\$25 million	the guarantee to be given by the Company in favour of Wing Hang for all monies obligations and liabilities (actual or contingent) owed by FG International to secure the Wing Hang Facilities
ANZ	HK\$50 million	the guarantee and indemnity to be given by the Company for HK\$50 million 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
Subtotal	Approximately HK\$491 million including approximately HK\$345 million trade facilities, HK\$123 million treasury product facility and Renminbi investment loan of approximately HK\$22.6 million	
Banks	Facilities amount granted to Value Plus	Description of the Guarantees
DBS	HK\$50 million (<i>Note</i>)	the guarantee and indemnity to be given by the Company for HK\$55 million in favour of DBS to secure the DBS-VP Facilities
Hang Seng	HK\$40 million	the guarantee to be given by the Company for all monies obligations and liabilities (actual or contingent) owned by Value Plus in favour of Hang Seng to secure the HS-VP Facilities
HSBC	HK\$50 million import facilities and HK\$2 million clean cheque purchasing line	the guarantee to be given by the Company for HK\$65 million in favour of HSBC to secure the HSBC-VP Facilities

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Banks	Facilities amount granted to Value Plus	Description of the Guarantees
CITIC	HK\$20 million	the guarantee and indemnity to be given by the Company for HK\$20 million in favour of CITIC to secure the CITIC-VP Facilities
Subtotal	HK\$160 million trade facilities and HK\$2 million clean cheque purchasing line (<i>Note</i>)	
Total	Approximately HK\$455 million trade facilities (<i>Note</i>), HK\$2 million clean cheque purchase lines, HK\$123 million treasury product facility and Renminbi investment loan of approximately HK\$22.6 million	

Note:

The facilities amounts under the DBS-VP Facilities shall be limited by the DBS-FGI Facilities and shall be jointly utilised by Value Plus and FG International.

We consider that it is not an uncommon practice for financial institutions to require the provision of corporate guarantee by listed companies in respect of the banking facilities obtained by their subsidiaries and as stated in the FGG Prospectus, all of the FGG Group's banking facilities and total bank borrowings as at 31 July 2010 were secured by corporate guarantees given by the Company. As stated in the letter from the Board, no guarantee fee or security in respect of the Guarantees would be provided by each of FG International and Value Plus.

3. Capability of FG International and Value Plus to repay the Facilities

The Facilities will provide approximately HK\$345 million trade facilities, HK\$123 million treasury product facility and Renminbi investment loan of approximately HK\$22.6 million to FG International ("**FG International Facilities**") and HK\$160 million facilities and HK\$2 million clean cheque purchase lines to Value Plus ("**Value Plus Facilities**"). The aggregate trade facilities under the FG International Facilities and Value Plus Facilities represented approximately 66.1% of the unaudited aggregated revenue of FG International and Value Plus for the year ended 31 March 2013 and the aggregate amount of FG International Facilities and Value Plus Facilities utilised as at 28 February 2014 was approximately HK\$119.7 million, representing approximately 74.6% of the unaudited aggregated net assets value of FG International and Value Plus.

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As each of FG International and Value Plus is a trading company, it is not uncommon to have a relatively small net asset value as compared to its working capital requirements. As advised by the Company, it normally took four to five months from the purchase of raw materials by FG International and Value Plus to the receipt of payments from the relevant end customers. FG International and Value Plus normally grant a credit period of about 30 days and 150 days, respectively to their respective customers. We have been advised by the Company that based on the respective historical financial information of FG International and Value Plus for the three years ended 31 March 2013, each of FG International and Value Plus had no bad debts and no default in payment records. As advised by the Company, each of FG International and Value Plus had not incurred any bad debts or made any provision for doubtful debts for the last three financial years ended 31 March 2013, and each of Ford Glory and Value Plus had not been in default of or late in repayment of any bank facilities previously granted thereto. Moreover, the Company will remain as the controlling shareholder of each of FG International and Value Plus upon completion of the Acquisition and the Share Sale.

4. Pro-rata counter indemnity given by Merlotte Enterprise

As stated in the Letter from the Board, Merlotte Enterprise, a company wholly-owned by Mr. Choi, an executive Director and holding 49% equity interest in Sure Strategy, will provide the Counter Indemnities.

As advised by the Company, Merlotte Enterprise is an investment holding company and its principal asset is its 49% equity interest in Sure Strategy. The Counter Indemnities are unsecured and there is no assurance that Merlotte Enterprise would have adequate financial resources to cover its obligations under the Counter Indemnities. In the event that the called amount under the Counter Indemnities was provided, the Group's potential liabilities would be reduced accordingly, as a result of the Counter Indemnities.

Based on the above, we consider the provision of the Counter Indemnities by Merlotte Enterprise to be in the interests of the Company and the Shareholders as a whole.

5. Financial effects of the Proposed Connected Transactions

Based on our discussion with the management of the Company, we are advised that the Proposed Connected Transactions will increase the Group's contingent liabilities by approximately HK\$603 million, which represented approximately 11.9% of the unaudited consolidated net assets value of the Company as at 30 September 2013 based on the 2013 Interim Report, but will not have any immediate impact on the earnings, gearing, financial position or cashflow of the Group unless any of the Guarantees are called upon.

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On the other hand, the Company expects that there will not be any further significant adverse impact on the consolidated financial statements of the Company even in the event that the FG International or Value Plus defaults the payment of any of the Facilities utilised as each of FG International or Value Plus will remain accounted for as a subsidiary of the Company.

6. Conclusion

Taking into account of the aforesaid, we concur with the view of the Directors that the provision of the Guarantees is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, which, in particular, include:

in respect of the Share Sale and the Acquisition,

- (i) the Acquisition allows the Company to increase its investment in the Manufacturing Business which is considered to complement to its existing fabric manufacturing business, while the Share Sale represents an opportunity for the Group to realise its investment in FGG's Garment Sourcing Business;
- (ii) the results of the Target Group has been consolidated into the financial statements of the Company and the consideration of the Acquisition represents a discount of approximately 3.0% to the unaudited net assets value of the Target Group attributable to the shareholders of FGG as at 31 December 2013. Also, the implied P/B Ratio of the Acquisition is below the average of the Garment Manufacturing Comparables and the Target Group has recorded improvement in results and recorded unaudited net profit attributable to its shareholders of approximately HK\$19.3 million for the nine months ended 31 December 2013;
- (iii) based on the total consideration for the Sale Shares of HK\$258,560,000, the implied P/E Ratio in relation to the Share Sale of approximately 29.3 times were above the average and within the range and the implied P/B Ratio in relation to the Share Sale of approximately 10.5 times was above the upper range of the Garment Sourcing Comparables, and based on the net consideration to be received by the Company as a result of the Share Sale, the Acquisition and the Special Cash Dividend in disposing of the 32.07% effective interest in the FGG Remaining Group (without taking into account the increase in the effective interest in the Target Group of approximately 18.93%), the respective implied P/E Ratio is above the average and within the range of the Garment Sourcing Comparables and P/B Ratio is above the upper range of the Garment Sourcing Comparables; also, the Sale Shares to be disposed of by Sure Strategy and Victory City Investments under the Share Sale involved a relatively bulk number of FGG Shares, the share price of the FGG Share has been traded at around or below the Combined Consideration per Sale Share prior to the 2013 December

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Announcement and the Combined Consideration per Sale Share has represented a premium over the closing prices of FGG Shares during the Relevant Period prior to the publication of the 2013 July Announcement; and

- (iv) the Company is expected to recognise a profit as a result of the Share Sale and the payment of the Special Cash Dividend by FGG, and improvement in net assets position, gearing and liquidity of the Group;

in respect of the Guarantees,

- (i) FG International and Value Plus contributed majority portion of revenue in the Group's garment product trading segment, from which the Group has been continuously benefited;
- (ii) each of FG International and Value Plus is financially sound and had no bad debt or record of default in payment in the last three financial years ended 31 March 2013; and
- (iii) the contingent liabilities of the Group in respect of its obligations under the Guarantees are, to a certain extent, mitigated by the Counter Indemnities provided by Merlotte Enterprise,

we consider that (i) the Share Sale, together with Acquisition, will result in acquisition of further interest in subsidiaries engaging in the Manufacturing Business, which is part of the ordinary and usual course of business of the Group, and disposing of the Garment Sourcing Business; (ii) upon completion of the Acquisition, the provision of the Guarantees are in the ordinary and usual course of business of the Group; (iii) the terms of the Share Sale Agreement and the Acquisition Agreement are on normal commercial terms; (iv) the Share Sale, together with the Acquisition, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the entering into of the Share Sale Agreement and the Acquisition Agreement are in the interests of the Company and the Shareholders as a whole; and (v) notwithstanding that the Guarantees would exceed the Company's indirect proportionate shareholding interest in FG International and Value Plus, taking into the Counter Guarantees provided by Merlotte Enterprise in respect of its equity interest in the Target Group, the Proposed Connected Transactions are considered to be in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we advise (i) the Independent Board Committee to recommend the Independent Shareholders and (ii) the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Share Sale, the Acquisition and the Guarantees.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited

Derek Chan April Chan
Chairman Director

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

Upon completion of the Group Reorganisation, FG Holdings and its then subsidiaries will become the Target Group Entities and engage in the Manufacturing Business. Set out below are the unaudited financial information of FG Holdings Limited and its subsidiaries for each of the three years ended 31 March 2011, 2012 and 2013 and for the nine months ended 31 December 2013 and explanatory notes extracted from the FGG Circular. Financial information of the Target Group is set out in note 3 on pages I-9 to I-20 in this appendix.

As set out in the FGG Circular, the reporting accountants of FGG, Deloitte Touche Tohmatsu, has reviewed the Financial Information of the FG Holdings Group in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants.

Capitalised terms used herein shall have the same meanings as those defined in the FGG Circular, in particular, capitalised terms including “Disposal”, “Disposal Agreement”, “Disposal Group” and “Purchaser”, denote “Acquisition”, “Acquisition Agreement”, “Target Group” and “Sure Strategy, respectively, in this circular.

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2013 AND THE NINE MONTHS ENDED 31 DECEMBER 2013

	Years ended 31 March			Nine months ended 31 December	
	2011	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	902,878	909,908	1,071,162	833,900	778,375
Cost of sales	(748,836)	(767,234)	(899,018)	(704,332)	(642,437)
Gross profit	154,042	142,674	172,144	129,568	135,938
Other income	4,015	7,636	1,832	1,463	2,993
Other gains and losses	3,285	5,362	4,046	(1,452)	4,534
Selling and distribution costs	(17,550)	(27,999)	(33,586)	(22,877)	(26,326)
Administration expenses	(102,902)	(104,753)	(113,338)	(87,254)	(90,370)
Interest on bank borrowings	(1,711)	(2,429)	(3,370)	(2,457)	(2,200)
Profit before tax	39,179	20,491	27,728	16,991	24,569
Income tax expense	(7,653)	(3,077)	(10,178)	(4,343)	(5,512)
Profit for the year/period	31,526	17,414	17,550	12,648	19,057
Other comprehensive income					
Item that will not be reclassified to profit or loss:					
Remeasurement of defined benefit obligations	–	420	(845)	(634)	486
Item that may be subsequently reclassified to profit or loss:					
Exchange difference arising on translation	2,396	1,973	481	30	440
Reclassification adjustment:					
Release of exchange difference on dissolution of a subsidiary	–	–	–	–	546
	2,396	2,393	(364)	(604)	1,472
Total comprehensive income for the year/period	33,922	19,807	17,186	12,044	20,529
Profit for the year/period attributable to:					
Owners of Company	27,559	16,950	21,459	14,123	25,033
Non-controlling interests	3,967	464	(3,909)	(1,475)	(5,976)
	31,526	17,414	17,550	12,648	19,057
Total comprehensive income attributable to:					
Owners of Company	29,955	19,336	21,080	13,510	26,500
Non-controlling interest	3,967	471	(3,894)	(1,466)	(5,971)
	33,922	19,807	17,186	12,044	20,529

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 MARCH 2011, 2012, 2013 AND 31 DECEMBER 2013

	As at 31 March			As at 31 December
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	105,266	136,268	156,692	152,159
Prepaid lease payments	3,609	3,645	3,569	3,515
Goodwill	5,541	5,970	5,970	5,970
Intangible asset	1,000	1,000	1,000	1,000
Deferred tax assets	1,518	1,899	1,835	1,771
	<u>116,934</u>	<u>148,782</u>	<u>169,066</u>	<u>164,415</u>
Current assets				
Inventories	107,505	132,335	132,565	115,925
Amounts due from related companies	–	–	–	19,306
Trade and bills receivables	111,908	110,780	130,900	152,761
Deposits, prepayments and other receivables	83,994	71,889	55,233	82,022
Prepaid lease payments	95	99	99	99
Derivative financial instruments	856	1,225	1,640	5,309
Tax recoverable	–	2,159	466	56
Bank balances and cash	136,037	103,526	142,054	39,072
	<u>440,395</u>	<u>422,013</u>	<u>462,957</u>	<u>414,550</u>
Current liabilities				
Trade and bills payables	62,823	71,402	69,295	45,365
Amount due to immediate holding company	64,043	83,583	88,119	89,306
Other payables and accruals	26,081	35,829	22,410	28,740
Amounts due to related companies	1,282	15,319	2,063	7,547
Derivative financial instruments	–	1,957	132	–
Tax payable	9,749	8,479	16,301	21,443
Bank borrowings	127,364	96,613	157,178	89,745
	<u>291,342</u>	<u>313,182</u>	<u>355,498</u>	<u>282,146</u>
Net current assets	<u>149,053</u>	<u>108,831</u>	<u>107,459</u>	<u>132,404</u>
Total assets less current liabilities	<u>265,987</u>	<u>257,613</u>	<u>276,525</u>	<u>296,819</u>

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

	As at 31 March			As at 31 December
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital and reserves				
Share capital	1	1	1	1
Reserves	<u>253,412</u>	<u>245,748</u>	<u>266,828</u>	<u>293,328</u>
Equity attributable to owners of the Company	253,413	245,749	266,829	293,329
Non-controlling interests	<u>11,340</u>	<u>9,557</u>	<u>5,663</u>	<u>(308)</u>
Total Equity	<u>264,753</u>	<u>255,306</u>	<u>272,492</u>	<u>293,021</u>
Non-current liabilities				
Defined benefit obligations	–	721	1,841	1,598
Deferred tax liabilities	<u>1,234</u>	<u>1,586</u>	<u>2,192</u>	<u>2,200</u>
	<u>1,234</u>	<u>2,307</u>	<u>4,033</u>	<u>3,798</u>
	<u>265,987</u>	<u>257,613</u>	<u>276,525</u>	<u>296,819</u>

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2013 AND THE NINE MONTHS ENDED 31 DECEMBER 2013

	Attributable to owners of FG Holdings							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	
At 1 April 2010	1	4,999	(46,039)	2,030	268,753	229,744	6,875	236,619
Profit for the year	–	–	–	–	27,559	27,559	3,967	31,526
Exchange difference arising on translation	–	–	–	2,396	–	2,396	–	2,396
Total comprehensive income for the year	–	–	–	2,396	27,559	29,955	3,967	33,922
Arising upon completion of group reorganisation	–	–	23,714	–	–	23,714	–	23,714
Dividend paid in cash	–	–	–	–	(30,000)	(30,000)	–	(30,000)
Capital contributed by a non-controlling interest	–	–	–	–	–	–	498	498
At 31 March 2011	1	4,999	(22,325)	4,426	266,312	253,413	11,340	264,753
Profit for the year	–	–	–	–	16,950	16,950	464	17,414
Exchange difference arising on translation	–	–	–	1,966	–	1,966	7	1,973
Remeasurement of defined benefit obligation	–	–	–	–	420	420	–	420
Total comprehensive income for the year	–	–	–	1,966	17,370	19,336	471	19,807
Dividend paid to non-controlling interest	–	–	–	–	–	–	(2,254)	(2,254)
Dividend paid in cash	–	–	–	–	(27,000)	(27,000)	–	(27,000)
At 31 March 2012	1	4,999	(22,325)	6,392	256,682	245,749	9,557	255,306
Profit for the year	–	–	–	–	21,459	21,459	(3,909)	17,550
Exchange difference arising on translation	–	–	–	466	–	466	15	481
Remeasurement of defined benefit obligation	–	–	–	–	(845)	(845)	–	(845)
Total comprehensive income for the year	–	–	–	466	20,614	21,080	(3,894)	17,186
At 31 March 2013	1	4,999	(22,325)	6,858	277,296	266,829	5,663	272,492
Profit for the period	–	–	–	–	25,033	25,033	(5,976)	19,057
Remeasurement of defined benefit obligation	–	–	–	–	486	486	–	486
Exchange difference arising on translation	–	–	–	435	–	435	5	440
Release of exchange difference on dissolution of a subsidiary	–	–	–	546	–	546	–	546
Total comprehensive income for the period	–	–	–	981	25,519	26,500	(5,971)	20,529
At 31 December 2013	<u>1</u>	<u>4,999</u>	<u>(22,325)</u>	<u>7,839</u>	<u>302,815</u>	<u>293,329</u>	<u>(308)</u>	<u>293,021</u>

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

	Attributable to owners of FG Holdings						
	Share capital	Share premium	Special reserve	Foreign currency translation reserve	Accumulated profits	Total	Non-controlling interest
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	1	4,999	(22,325)	6,392	256,682	245,749	9,557
Profit for the period	–	–	–	–	14,123	14,123	(1,475)
Exchange difference arising on translation	–	–	–	21	–	21	9
Remeasurement of defined benefit obligation	–	–	–	–	(634)	(634)	–
Total comprehensive income for the period	–	–	–	21	13,489	13,510	(1,466)
At 31 December 2012	1	4,999	(22,325)	6,413	270,171	259,259	8,091

The special reserve represents the reserve arising from a previous group reorganisation.

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2013 AND THE NINE MONTHS ENDED 31 DECEMBER 2013

	Years ended 31 March			Nine months ended 31 December	
	2011	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating activities					
Profit before tax	39,179	20,491	27,728	16,991	24,569
Adjustments for:					
Depreciation of property, plant and equipment	15,363	14,417	18,665	13,569	15,406
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(508)	158	356	757	999
Write-down of inventories	–	1,564	1,600	–	–
(Gain) loss on fair value changes of derivative financial instruments	(856)	(281)	(3,935)	612	(8,159)
Interest income	(96)	(830)	(656)	(651)	(72)
Interest on bank borrowings	1,711	2,429	3,370	2,457	2,200
Release of prepaid lease payments	92	97	99	74	75
Loss on dissolution of a subsidiary	–	–	–	–	546
Provision for defined benefit obligations	–	301	399	–	246
Operating cash flows before working capital changes	54,885	38,346	47,626	33,809	35,810
(Increase) decrease in inventories	(51,024)	(26,320)	(1,830)	212	16,640
Decrease (increase) in trade and bills receivables	12,724	8,799	(19,898)	(58,932)	(21,861)
(Increase) decrease in deposits, prepayments and other receivables	(61,361)	16,673	16,423	9,394	(26,789)
(Decrease) increase in trade payables	(35,059)	5,927	(2,225)	(4,917)	(23,930)
(Decrease) increase in other payables and accruals and defined benefit obligations	(637)	(9,532)	(10,377)	(12,982)	6,330
(Decrease) increase in bank borrowing from discounted bills with recourse	(1,746)	387	415	1,772	(471)
(Decrease) increase in amounts due from (to) related companies – trade	(762)	14,037	(13,256)	16,074	(13,822)
Proceeds from and settlement of derivative financial instruments	–	1,869	1,695	909	4,358
Cash generated from operations	(82,980)	50,186	18,573	(14,661)	(23,735)
Interest on bank borrowings	(1,711)	(2,166)	(2,990)	(2,457)	(2,200)
Income tax (paid) refunded	(7,480)	(6,490)	(49)	(78)	110
Net cash (used in) from operating activities	<u>(92,171)</u>	<u>41,530</u>	<u>15,534</u>	<u>(17,196)</u>	<u>(25,825)</u>

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

	Years ended 31 March			Nine months ended 31 December	
	2011	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investing activities					
Purchase of property, plant and equipment	(9,072)	(33,610)	(46,563)	(25,509)	(12,335)
Acquisition of trademark	–	–	–	(155)	–
Proceeds from disposal of property, plant and equipment	25,915	521	7,651	1,714	1,003
Acquisition of intangible assets	(502)	–	–	–	–
Interest received	96	428	656	651	72
Acquisition of a subsidiary	–	(1,707)	(3,500)	–	–
Repayment from related companies	27,866	–	–	–	–
Net cash from (used in) investing activities	<u>44,303</u>	<u>(34,368)</u>	<u>(41,756)</u>	<u>(23,299)</u>	<u>(11,260)</u>
Financing activities					
Net import loans and trust receipt loans raised (repaid)	43,460	(47,267)	78,840	32,013	(65,963)
Dividend paid	(30,000)	(27,000)	–	–	–
Repayment of other bank loan	–	–	(17,393)	(17,393)	–
Repayment of mortgage loan	(20,618)	(1,264)	(1,297)	(967)	(999)
Dividend paid to non-controlling interest	–	(2,254)	–	–	–
Drawdown of other bank loan	–	17,393	–	–	–
(Repayment to) advance from related companies	(2,202)	–	–	–	–
Advance from (repayment to) immediate holding company	64,043	19,540	4,536	(1,293)	1,187
Net cash from (used in) financing activities	<u>54,683</u>	<u>(40,852)</u>	<u>64,686</u>	<u>12,360</u>	<u>(65,775)</u>
Net increase (decrease) in cash and cash equivalents	6,815	(33,690)	38,464	(28,135)	(102,860)
Cash and cash equivalents at the beginning of the year/period	128,404	136,037	103,526	103,526	142,054
Effect of foreign exchange rate changes	<u>818</u>	<u>1,179</u>	<u>64</u>	<u>34</u>	<u>(122)</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<u>136,037</u>	<u>103,526</u>	<u>142,054</u>	<u>75,425</u>	<u>39,072</u>

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2013 AND THE NINE MONTHS ENDED 31 DECEMBER 2013

1. GENERAL

Ford Glory Holdings Limited (“FG Holdings”) was incorporated in the British Virgin Islands with limited liability.

On 14 March 2014, Ford Glory Group Holdings Limited (“FGG”), the immediate holding company of FG Holdings, entered into a sale and purchase agreement (the “Disposal Agreement”) with Sure Strategy Limited (the “Purchaser”), immediate holding company of FGG. Pursuant to the Disposal Agreement, FGG conditionally agreed to dispose of its entire equity interest in FG Holdings for a consideration of HK\$270,000,000 which will be settled in cash (the “Disposal”).

2. BASIS OF PREPARATION OF THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

The unaudited consolidated financial information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by FGG in connection with, among other things, the Disposal.

The amounts included in the unaudited consolidated financial information for each of the three years ended 31 March 2013 and the nine months ended 31 December 2013 have been prepared using the same accounting policies FGG used in the preparation of the condensed consolidated financial statements of FGG and its subsidiaries for the six months ended 30 September 2013, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited consolidated financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard (“HKAS”) 1 “Presentation of Financial Statements” nor an interim report as defined in HKAS 34 “Interim Financial Reporting” issued by the HKICPA.

Both Top Value Inc. (“Top Value”) and Ford Glory International Limited (“FG International”) described below are wholly owned subsidiaries of FG Holdings.

The unaudited consolidated financial information includes the results and financial position of FG Holdings and its subsidiaries (collectively referred to as the “FG Holdings Group”) for each of the three years ended 31 March 2013 and the nine months ended 31 December 2013. The FG Holdings Group, excluding Top Value and the assets, liabilities and results of the garment sourcing business of FG International (the “HK Garment Sourcing Business Assets”, “HK Garment Sourcing Business Liabilities and “Results of HK Garment Sourcing Business”, respectively) are hereinafter collectively referred to as the “Disposal Group”.

The business of Top Value and the garment sourcing business of FG International (the “HK Garment Sourcing Business”) are thereafter collectively referred to as the Garment Sourcing Business.

Information of the Disposal Group is set out in Note 3 to the financial information.

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

3. FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Results of the FG Holdings Group and the Disposal Group for the year ended 31 March 2011

	FG Holdings Group HK\$'000	Garment Sourcing Business				Disposal Group HK\$'000
		Top Value HK\$'000	Results of HK Garment Sourcing Business HK\$'000 (note i)	Elimination of transactions between Top Value and HK Garment Sourcing Business HK\$'000	Subtotal HK\$'000	
Revenue	902,878	193,885	267,854	(177,484)	284,255	618,623
Cost of sales	(748,836)	(190,754)	(246,476)	176,492	(260,738)	(488,098)
Gross profit	154,042	3,131	21,378	(992)	23,517	130,525
Other income	4,015	11	–	–	11	4,004
Other gains and losses	3,285	–	–	639	639	2,646
Selling and distribution costs	(17,550)	–	(1,957)	–	(1,957)	(15,593)
Administrative expenses	(102,902)	(2,982)	(8,040)	–	(11,022)	(91,880)
Interest on bank borrowings	(1,711)	–	(360)	–	(360)	(1,351)
Profit before tax	39,179	160	11,021	(353)	10,828	28,351
Income tax expense	(7,653)	–	(1,708)	–	(1,708)	(5,945)
Profit for the year	31,526	160	9,313	(353)	9,120	22,406
Other comprehensive income Item that may be subsequently reclassified to profit or loss:						
Exchange difference arising on translation	2,396	–	–	–	–	2,396
Total comprehensive income for the year	33,922	160	9,313	(353)	9,120	24,802
Profit for the year attributable to:						
Owners of Company	27,559	160	9,313	(353)	9,120	18,439
Non-controlling interests	3,967	–	–	–	–	3,967
	31,526	160	9,313	(353)	9,120	22,406
Total comprehensive income attributable to:						
Owners of Company	29,955	160	9,313	(353)	9,120	20,835
Non-controlling interest	3,967	–	–	–	–	3,967
	33,922	160	9,313	(353)	9,120	24,802

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

Results of the FG Holdings Group and the Disposal Group for the year ended 31 March 2012

	FG Holdings Group HK\$'000	Garment Sourcing Business				Disposal Group HK\$'000
		Top Value HK\$'000	Results of HK Garment Sourcing Business HK\$'000 (note i)	Elimination of transactions between Top Value and HK Garment Sourcing Business HK\$'000	Subtotal HK\$'000	
Revenue	909,908	237,456	303,149	(201,401)	339,204	570,704
Cost of sales	(767,234)	(235,368)	(281,104)	201,673	(314,799)	(452,435)
Gross profit	142,674	2,088	22,045	272	24,405	118,269
Other income	7,636	—	—	—	—	7,636
Other gains and losses	5,362	—	—	—	—	5,362
Selling and distribution costs	(27,999)	—	(2,104)	—	(2,104)	(25,895)
Administrative expenses	(104,753)	(1,977)	(8,433)	—	(10,410)	(94,343)
Interest on bank borrowings	(2,429)	—	(726)	—	(726)	(1,703)
Profit before tax	20,491	111	10,782	272	11,165	9,326
Income tax expense	(3,077)	—	(2,339)	—	(2,339)	(738)
Profit for the year	17,414	111	8,443	272	8,826	8,588
Other comprehensive income						
Item that will not be reclassified to profit or loss:						
Remeasurement of defined benefit obligations	420	—	—	—	—	420
Item that may be subsequently reclassified to profit or loss:						
Exchange difference arising on translation	1,973	—	—	—	—	1,973
	2,393	—	—	—	—	2,393
Total comprehensive income for the year	19,807	111	8,443	272	8,826	10,981
Profit for the year attributable to:						
Owners of Company	16,950	111	8,443	272	8,826	8,124
Non-controlling interests	464	—	—	—	—	464
	17,414	111	8,443	272	8,826	8,588
Total comprehensive income attributable to:						
Owners of Company	19,336	111	8,443	272	8,826	10,510
Non-controlling interest	471	—	—	—	—	471
	19,807	111	8,443	272	8,826	10,981

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

Results of the FG Holdings Group and the Disposal Group for the year ended 31 March 2013

	FG Holdings Group HK\$'000	Garment Sourcing Business				Disposal Group HK\$'000
		Top Value HK\$'000	Results of HK Garment Sourcing Business HK\$'000 (note i)	Elimination of transactions between Top Value and HK Garment Sourcing Business HK\$'000	Subtotal HK\$'000	
Revenue	1,071,162	194,507	303,901	(183,102)	315,306	755,856
Cost of sales	(899,018)	(193,357)	(278,357)	183,225	(288,489)	(610,529)
Gross profit	172,144	1,150	25,544	123	26,817	145,327
Other income	1,832	–	–	–	–	1,832
Other gains and losses	4,046	–	–	–	–	4,046
Selling and distribution costs	(33,586)	–	(2,486)	–	(2,486)	(31,100)
Administrative expenses	(113,338)	(1,093)	(8,794)	–	(9,887)	(103,451)
Interest on bank borrowings	(3,370)	–	(978)	–	(978)	(2,392)
Profit before tax	27,728	57	13,286	123	13,466	14,262
Income tax expense	(10,178)	–	(2,325)	–	(2,325)	(7,853)
Profit for the year	17,550	57	10,961	123	11,141	6,409
Other comprehensive income						
Item that will not be reclassified to profit or loss:						
Remeasurement of defined benefit obligations	(845)	–	–	–	–	(845)
Item that may be subsequently reclassified to profit or loss:						
Exchange difference arising on translation	481	–	–	–	–	481
	(364)	–	–	–	–	(364)
Total comprehensive income for the year	17,186	57	10,961	123	11,141	6,045
Profit for the year attributable to:						
Owners of Company	21,459	57	10,961	123	11,141	10,318
Non-controlling interests	(3,909)	–	–	–	–	(3,909)
	17,550	57	10,961	123	11,141	6,409
Total comprehensive income attributable to:						
Owners of Company	21,080	57	10,961	123	11,141	9,939
Non-controlling interests	(3,894)	–	–	–	–	(3,894)
	17,186	57	10,961	123	11,141	6,045

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

Results of the FG Holdings Group and the Disposal Group for the nine months ended 31 December 2013

	FG Holdings Group HK\$'000	Garment Sourcing Business				Disposal Group HK\$'000
		Top Value HK\$'000	Results of HK Garment Sourcing Business HK\$'000 (note i)	Elimination of transactions between Top Value and HK Garment Sourcing Business HK\$'000	Subtotal HK\$'000	
Revenue	778,375	80,678	186,977	(76,512)	191,143	587,232
Cost of sales	(642,437)	(79,958)	(169,802)	76,277	(173,483)	(468,954)
Gross profit	135,938	720	17,175	(235)	17,660	118,278
Other income	2,993	–	–	–	–	2,993
Other gains and losses	4,534	–	–	–	–	4,534
Selling and distribution costs	(26,326)	–	(1,771)	–	(1,771)	(24,555)
Administrative expenses	(90,370)	(920)	(7,622)	–	(8,542)	(81,828)
Interest on bank borrowings	(2,200)	–	(447)	–	(447)	(1,753)
Profit before tax	24,569	(200)	7,335	(235)	6,900	17,669
Income tax expense	(5,512)	–	(1,210)	–	(1,210)	(4,302)
Profit for the period	19,057	(200)	6,125	(235)	5,690	13,367
Other comprehensive income						
Item that will not be reclassified to profit or loss:						
Remeasurement of defined benefit obligations	486	–	–	–	–	486
Item that may be subsequently reclassified to profit or loss:						
Exchange difference arising on translation	440	–	–	–	–	440
Reclassification adjustment:						
Release of exchange difference on dissolution of a subsidiary	546	–	–	–	–	546
	1,472	–	–	–	–	1,472
Total comprehensive income for the period	20,529	(200)	6,125	(235)	5,690	14,839
Profit for the period attributable to:						
Owners of Company	25,033	(200)	6,125	(235)	5,690	19,343
Non-controlling interests	(5,976)	–	–	–	–	(5,976)
	19,057	(200)	6,125	(235)	5,690	13,367
Total comprehensive income attributable to:						
Owners of Company	26,500	(200)	6,125	(235)	5,690	20,810
Non-controlling interest	(5,971)	–	–	–	–	(5,971)
	20,529	(200)	6,125	(235)	5,690	14,839

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

Assets and liabilities of the FG Holdings Group and the Disposal Group as at 31 March 2011

	FG Holdings Group HK\$'000	Garment Sourcing Business				Reclassification HK\$'000	Disposal Group HK\$'000
		Top Value HK\$'000	HK Garment Sourcing Business Assets and Liabilities HK\$'000 (note ii)	Elimination of balances between Top Value and HK Garment Sourcing Business HK\$'000	Subtotal HK\$'000		
Non-current assets							
Property, plant and equipment	105,266	102	610	–	712	–	104,554
Prepaid lease payments	3,609	–	–	–	–	–	3,609
Goodwill	5,541	–	–	–	–	–	5,541
Intangible assets	1,000	–	–	–	–	–	1,000
Deferred tax assets	1,518	–	–	–	–	–	1,518
	116,934	102	610	–	712	–	116,222
Current assets							
Inventories	107,505	24,214	–	(760)	23,454	–	84,051
Amount due from a fellow subsidiary	–	–	44,668	(44,668)	–	–	–
Amount due from Garment Sourcing Business	–	–	–	–	–	7,679	7,679
Trade and bill receivables	111,908	8,797	13,311	–	22,108	–	89,800
Deposit, prepayments and other receivable	83,994	250	–	–	250	–	83,744
Prepaid lease payments	95	–	–	–	–	–	95
Derivative financial instruments	856	–	–	–	–	–	856
Bank and cash	136,037	18,206	–	–	18,206	–	117,831
	440,395	51,467	57,979	(45,428)	64,018	7,679	384,056
Current liabilities							
Trade and bills payables	62,823	–	5,562	–	5,562	–	57,261
Amount due to immediate holding company	64,043	–	–	–	–	–	64,043
Amount due to Disposal Group	–	7,679	–	–	7,679	7,679	–
Amount due to a fellow subsidiary	–	44,668	–	(44,668)	–	–	–
Other payables and accruals	26,081	210	1,766	–	1,976	–	24,105
Amount due to related companies	1,282	–	–	–	–	–	1,282
Derivative financial instruments	–	–	–	–	–	–	–
Tax payables	9,749	–	–	–	–	–	9,749
Bank borrowings	127,364	–	22,413	–	22,413	–	104,951
	291,342	52,557	29,741	(44,668)	37,630	7,679	261,391
Net current assets (liabilities)	149,053	(1,090)	28,238	(768)	26,388	–	122,665
Total assets less current liabilities	265,987	(988)	28,848	(768)	27,100	–	238,887
Non-current liabilities							
Defined benefit obligations	–	–	–	–	–	–	–
Deferred tax liabilities	1,234	–	–	–	–	–	1,234
	1,234	–	–	–	–	–	1,234
Net assets	264,753	(988)	28,848	(760)	27,100	–	237,653

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

Assets and liabilities of the FG Holdings Group and the Disposal Group as at 31 March 2012

	FG Holdings Group HK\$'000	Garment Sourcing Business				Reclassification HK\$'000	Disposal Group HK\$'000
		Top Value HK\$'000	HK Garment Sourcing Business Assets and HK Garment Sourcing Business Liabilities HK\$'000 (note ii)	Elimination of balances between Top Value and HK Garment Sourcing Business HK\$'000	Subtotal HK\$'000		
Non-current assets							
Property, plant and equipment	136,268	2	397	–	399	–	135,869
Prepaid lease payments	3,645	–	–	–	–	–	3,645
Goodwill	5,970	–	–	–	–	–	5,970
Intangible assets	1,000	–	–	–	–	–	1,000
Deferred tax assets	1,899	–	–	–	–	–	1,899
	148,782	2	397	–	399	–	148,383
Current assets							
Inventories	132,335	9,751	–	(488)	9,263	–	123,072
Amount due from a fellow subsidiary	–	–	19,945	(19,945)	–	–	–
Amount due from a Garment Sourcing Business	–	–	–	–	–	12,703	12,703
Trade and bill receivables	110,780	6,141	15,092	–	21,233	–	89,547
Deposit, prepayments and other receivable	71,889	35	–	–	35	–	71,854
Prepaid lease payments	99	–	–	–	–	–	99
Derivative financial instruments	1,225	–	–	–	–	–	1,225
Tax recoverables	2,159	–	–	–	–	–	2,159
Bank and cash	103,526	11,178	–	–	11,178	–	92,348
	422,013	27,105	35,037	(20,433)	41,709	12,703	393,007
Current liabilities							
Trade and bills payables	71,402	343	6,624	–	6,967	–	64,435
Amount due to immediate holding company	83,583	–	–	–	–	–	83,583
Amount due to a fellow subsidiary	–	19,945	–	(19,945)	–	–	–
Amount due to Disposal Group	–	7,677	5,026	–	12,703	12,703	–
Other payables and accruals	35,829	19	880	–	899	–	34,930
Amount due to related companies	15,319	–	–	–	–	–	15,319
Derivative financial instruments	1,957	–	–	–	–	–	1,957
Tax payables	8,479	–	–	–	–	–	8,479
Bank borrowings	96,613	–	20,476	–	20,476	–	76,137
	313,182	27,984	33,006	(19,945)	41,045	12,703	284,840
Net current assets (liabilities)	108,831	(879)	2,031	(488)	664	–	108,167
Total assets less current liabilities	257,613	(877)	2,428	(488)	1,063	–	256,550
Non-current liabilities							
Defined benefit obligations	721	–	–	–	–	–	721
Deferred tax liabilities	1,586	–	–	–	–	–	1,586
	2,307	–	–	–	–	–	2,307
Net assets	255,306	(877)	2,428	(488)	1,063	–	254,243

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

Assets and liabilities of the FG Holdings Group and the Disposal Group as at 31 March 2013

	FG Holdings Group HK\$'000	Garment Sourcing Business				Reclassification HK\$'000	Disposal Group HK\$'000
		Top Value HK\$'000	HK Garment Sourcing Business Assets and HK Garment Sourcing Business Liabilities HK\$'000 (note ii)	Elimination of balances between Top Value and HK Garment Sourcing Business HK\$'000	Subtotal HK\$'000		
Non-current assets							
Property, plant and equipment	156,692	–	394	–	394	–	156,298
Prepaid lease payments	3,569	–	–	–	–	–	3,569
Goodwill	5,970	–	–	–	–	–	5,970
Intangible assets	1,000	–	–	–	–	–	1,000
Deferred tax assets	1,835	–	–	–	–	–	1,835
	169,066	–	394	–	394	–	168,672
Current assets							
Inventories	132,565	7,303	–	(365)	6,938	–	125,627
Amounts due from a fellow subsidiary	–	–	22,984	(22,984)	–	–	–
Amount due from Garment Sourcing Business	–	–	–	–	–	–	14,547
Trade and bill receivables	130,900	9,560	18,661	–	28,221	–	102,679
Deposit, prepayments and other receivable	55,233	37	–	–	37	–	55,196
Prepaid lease payments	99	–	–	–	–	–	99
Derivative financial instruments	1,640	–	–	–	–	–	1,640
Tax recoverables	466	–	–	–	–	–	466
Bank and cash	142,054	12,302	–	–	12,302	–	129,752
	462,957	29,202	41,645	(23,349)	47,498	14,547	430,006
Current liabilities							
Trade and bills payables	69,295	123	12,536	–	12,659	–	56,636
Amount due to immediate holding company	88,119	–	–	–	–	–	88,119
Amount due to a fellow subsidiary	–	22,984	–	(22,984)	–	–	–
Amount due to Disposal Group	–	6,882	7,665	–	14,547	14,547	–
Other payables and accruals	22,410	33	202	–	235	–	22,175
Amount due to related companies	2,063	–	–	–	–	–	2,063
Derivative financial instruments	132	–	–	–	–	–	132
Tax payables	16,301	–	–	–	–	–	16,301
Bank borrowings	157,178	–	23,288	–	23,288	–	133,890
	355,498	30,022	43,691	(22,984)	50,729	14,547	319,316
Net current assets (liabilities)	107,459	(820)	(2,046)	(365)	(3,231)	–	110,690
Total assets less current liabilities	276,525	(820)	(1,652)	(365)	(2,837)	–	279,362
Non-current liabilities							
Defined benefit obligations	1,841	–	–	–	–	–	1,841
Deferred tax liabilities	2,192	–	–	–	–	–	2,192
	4,033	–	–	–	–	–	4,033
Net assets	272,492	(820)	(1,652)	(365)	(2,837)	–	275,329

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

Assets and liabilities of the FG Holdings Group and the Disposal Group as at 31 December 2013

	FG Holdings Group HK\$'000	Garment Sourcing Business			Reclassification HK\$'000	Disposal Group HK\$'000
		Top Value HK\$'000	HK Garment Sourcing Business Assets and Liabilities HK\$'000 (note ii)	Elimination of balances between Top Value and HK Garment Sourcing Business HK\$'000		
Non-current assets						
Property, plant and equipment	152,159	–	250	–	–	151,909
Prepaid lease payments	3,515	–	–	–	–	3,515
Goodwill	5,970	–	–	–	–	5,970
Intangible assets	1,000	–	–	–	–	1,000
Deferred tax assets	1,771	–	–	–	–	1,771
	164,415	–	250	–	–	164,165
Current assets						
Inventories	115,925	3,950	–	(601)	–	112,576
Amount due from related companies	19,306	–	–	–	–	19,306
Amount due from a fellow subsidiary	–	–	14,955	(14,955)	–	–
Amount due from Garment Sourcing Business	–	–	–	–	6,881	6,881
Trade and bill receivables	152,761	7,022	21,049	–	–	124,690
Deposit, prepayments and other receivable	82,022	36	–	–	–	81,986
Prepaid lease payments	99	–	–	–	–	99
Derivative financial instruments	5,309	–	–	–	–	5,309
Tax recoverables	56	–	–	–	–	56
Bank and cash	39,072	3,325	–	–	–	35,747
	414,550	14,333	36,004	(15,556)	6,881	386,650
Current liabilities						
Trade and bills payables	45,365	47	8,157	–	–	37,161
Amount due to immediate holding company	89,306	–	–	–	–	89,306
Amount due to a fellow subsidiary	–	14,955	–	(14,955)	–	–
Amount due to Disposal Group	–	–	6,881	–	6,881	–
Other payables and accruals	28,740	351	785	–	–	27,604
Amount due to related companies	7,547	–	–	–	–	7,547
Tax payables	21,443	–	–	–	–	21,443
Bank borrowings	89,745	–	3,797	–	–	85,948
	282,146	15,353	19,620	(14,955)	6,881	269,009
Net current assets (liabilities)	132,404	(1,020)	16,384	(601)	–	117,641
Total assets less current liabilities	296,819	(1,020)	16,634	(601)	–	281,806
Non-current liabilities						
Defined benefit obligations	1,598	–	–	–	–	1,598
Deferred tax liabilities	2,200	–	–	–	–	2,200
	3,798	–	–	–	–	3,798
Net assets	293,021	(1,020)	16,634	(601)	–	278,008

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

Movement of share capital and reserves of the Disposal Group

	Attributable to the Disposal Group						Total	Non-controlling interest	Total
	Share capital	Share premium	Special reserve	Other reserve	Foreign currency translation reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(note)					
At 1 April 2010	1	4,999	(46,039)	21,998	2,030	268,753	251,742	6,875	258,617
Profit for the year	–	–	–	–	–	18,439	18,439	3,967	22,406
Exchange difference arising on translation	–	–	–	–	2,396	–	2,396	–	2,396
Total comprehensive income for the year	–	–	–	–	2,396	18,439	20,835	3,967	24,802
Arising upon completion of group reorganisation	–	–	23,714	–	–	–	23,714	–	23,714
Dividend paid in cash	–	–	–	–	–	(30,000)	(30,000)	–	(30,000)
Capital contributed by a non-controlling interest	–	–	–	–	–	–	–	498	498
Net movement in relation to the Garment Sourcing Business (Note)	–	–	–	(39,978)	–	–	(39,978)	–	(39,978)
At 31 March 2011	1	4,999	(22,325)	(17,980)	4,426	257,192	226,313	11,340	237,653
Profit for the year	–	–	–	–	–	8,124	8,124	464	8,588
Exchange differences arising on translation	–	–	–	–	1,966	–	1,966	7	1,973
Remeasurement of defined benefit obligation	–	–	–	–	–	420	420	–	420
Total comprehensive income for the year	–	–	–	–	1,966	8,544	10,510	471	10,981
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(2,254)	(2,254)
Dividend paid in cash	–	–	–	–	–	(27,000)	(27,000)	–	(27,000)
Net movement in relation to the Garment Sourcing Business (Note)	–	–	–	34,863	–	–	34,863	–	34,863
At 31 March 2012	1	4,999	(22,325)	16,883	6,392	238,736	244,686	9,557	254,243
Profit for the year	–	–	–	–	–	10,318	10,318	(3,909)	6,409
Exchange differences arising on translation	–	–	–	–	466	–	466	15	481
Remeasurement of defined benefit obligation	–	–	–	–	–	(845)	(845)	–	(845)
Total comprehensive income for the year	–	–	–	–	466	9,473	9,939	(3,894)	6,045
Net movement in relation to the Garment Sourcing Business (Note)	–	–	–	15,041	–	–	15,041	–	15,041
At 31 March 2013	1	4,999	(22,325)	31,924	6,858	248,209	269,666	5,663	275,329
Profit for the period	–	–	–	–	–	19,343	19,343	(5,976)	13,367
Remeasurement of defined benefit obligation	–	–	–	–	–	486	486	–	486
Exchange differences arising on translation	–	–	–	–	435	–	435	5	440
Release of exchange difference on dissolution of a subsidiary	–	–	–	–	546	–	546	–	546
Total comprehensive income for the period	–	–	–	–	981	19,829	20,810	(5,971)	14,839
Net movement in relation to the Garment Sourcing Business (Note)	–	–	–	(12,160)	–	–	(12,160)	–	(12,160)
At 31 December 2013	1	4,999	(22,325)	19,764	7,839	268,038	278,316	(308)	278,008

Note: Net movement in relation to the Garment Sourcing Business represents the difference between (i) changes in carrying amount of the net assets attributable to the Garment Sourcing Business and (ii) the profit of the Garment Sourcing Business for the year/period.

For the purpose of the presentation of the financial information of the Disposal Group, profit of the Garment Sourcing Business for the periods before 1 April 2010 is not segregated from the results of FG International. Accordingly, as at 1 April 2010, the accumulated profits presented above represent the accumulated profits of FG Holdings while the other reserve presented above represents the carrying amount of the net assets of Top Value and the HK Garment Sourcing Business to be transferred pursuant to the Business Transfer Agreement (as defined in note 3 (ii)).

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

Cash flows of the Disposal Group

	Years ended 31 March			Nine months ended 31 December
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating activities				
Profit before tax	28,351	9,326	14,262	17,669
Adjustments for:				
Depreciation of property, plant and equipment	14,996	14,104	18,476	15,263
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(508)	158	356	999
Write-down of inventories	–	1,564	1,600	–
Gain on fair value changes of derivative financial instruments	(856)	(281)	(3,935)	(8,159)
Interest income	(96)	(830)	(656)	(72)
Interest on bank borrowings	1,351	1,703	2,392	1,753
Release of prepaid lease payments	92	97	99	75
Loss on dissolution of a subsidiary	–	–	–	546
Provision for defined benefit obligations	–	301	399	246
Operating cash flows before working capital changes	43,330	26,142	32,993	28,320
(Increase) decrease in inventories	(41,067)	(40,511)	(4,155)	13,051
(Increase) decrease in trade and bills receivables	(2,370)	7,924	12,355	(22,011)
(Increase) decrease in deposits, prepayments and other receivables	(61,347)	16,458	16,424	(26,789)
(Decrease) increase in trade payables	(6,867)	4,522	(15,499)	(19,475)
(Decrease) increase in other payables and accruals and defined benefit obligations	(1,333)	(8,455)	(9,996)	5,429
(Decrease) increase in bank borrowing from discounted bills with recourse	(1,746)	387	415	(471)
(Decrease) increase in amounts due from (to) related companies – trade	(762)	14,037	(13,256)	(13,822)
Increase (decrease) in amount due from Garment Sourcing Business	6,033	(5,024)	(10,011)	7,666
Proceeds from and settlement of derivative financial instruments	–	1,869	1,695	4,358
Cash (used in) from operations	(66,129)	17,349	10,965	(23,744)
Interest on bank borrowings	(1,351)	(1,440)	(2,012)	(1,753)
Income tax (paid) refunded	(5,772)	(4,151)	2,276	1,321
Net cash (used in) from operating activities	(73,252)	11,758	11,229	(24,176)

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

	Years ended 31 March			Nine months ended 31 December
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investing activities				
Purchase of property, plant and equipment	(8,946)	(33,610)	(46,379)	(12,335)
Acquisition of intangible assets	(502)	–	–	–
Proceeds from disposal of property, plant and equipment	25,915	521	7,651	1,003
Interest received	96	428	656	72
Acquisition of a subsidiary	–	(1,707)	(3,500)	–
Repayment from related companies	27,866	–	–	–
Net cash from (used in) investing activities	<u>44,429</u>	<u>(34,368)</u>	<u>(41,572)</u>	<u>(11,260)</u>
Financing activities				
Net import loans and trust receipt loans raised (repaid)	52,899	(45,330)	76,028	(46,472)
Dividend paid (<i>Note iii</i>)	(30,000)	(27,000)	–	–
Repayment of other bank loan	–	–	(17,393)	–
Repayment of mortgage loans	(20,618)	(1,264)	(1,297)	(999)
Dividend paid to non-controlling interest	–	(2,254)	–	–
Drawdown of other bank loan	–	17,393	–	–
Repayment to related companies	(2,202)	–	–	–
Advance from immediate holding company (<i>Note iii</i>)	64,043	19,540	4,536	1,187
Net cash from (used in) financing activities	<u>64,122</u>	<u>(38,915)</u>	<u>61,874</u>	<u>(46,284)</u>
Net increase (decrease) in cash and cash equivalents	<u>35,299</u>	<u>(61,525)</u>	<u>31,531</u>	<u>(81,720)</u>

APPENDIX I FINANCIAL INFORMATION OF THE TARGET GROUP

notes:

(i) Allocation of expenses and income tax expense attributable to the HK Garment Sourcing Business

Staff costs (included in selling and distribution costs and administrative expenses) included in the Results of HK Garment Sourcing Business represent salaries and allowances paid to respective staff directly worked for the HK Garment Sourcing Business.

Other Selling and distribution costs included in the Results of HK Garment Sourcing Business are segregated from the results of Ford Glory International Limited (“FG International”) based on the proportion of revenue generated from the HK Garment Sourcing Business.

General office expenses (included in administrative expenses) mainly represent utilities and courier and telecommunication expenses are segregated from the results of FG International based on ratio of number of staff directly worked for the HK Garment Sourcing Business.

The management fees paid to FGG by FG International during the years ended 31 March 2011, 2012 and 2013 of HK\$16,400,000, HK\$5,000,000 and HK\$5,000,000 respectively, are included in the Disposal Group because it cannot be allocated on a rational basis.

Income tax expense is allocated to the HK Garment Sourcing Business based on the effective tax rate of FG International.

Other than above items, all items included in Results of HK Garment Sourcing Business are attributed based on specific identification method.

(ii) Allocation of assets and liabilities

The HK Garment Sourcing Business Assets and HK Garment Sourcing Business Liabilities represent the assets to be transferred from FG International to United Gainer Investment Limited (“United Gainer”) and the liabilities to be assumed by United Gainer upon the completion of the transfer of the HK Garment Sourcing Business pursuant to an agreement for the transfer of the HK Garment Sourcing Business entered into between FG International and United Gainer dated 22 May 2014 (the “Business Transfer Agreement”). United Gainer is a wholly owned subsidiary of FGG.

(iii) Distribution to and advance from immediate holding company

Dividend of HK\$30,000,000 and HK\$27,000,000 paid by FG Holdings during the years ended 31 March 2011 and 2012, respectively, are presented as distribution by the Disposal Group because they cannot be allocated on a rational basis to the Garment Sourcing Business.

Advance from immediate holding company of HK\$64,043,000, HK\$19,540,000, HK\$4,536,000 and HK\$1,187,000 for the years ended 31 March 2011, 2012 and 2013 and for the nine months ended 31 December 2013, respectively, are presented as financing from the immediate holding company to the Disposal Group because they cannot be allocated on a rational basis to the Garment Sourcing Business.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE FGG REMAINING GROUP

The following unaudited pro forma information of the FGG Remaining Group is extracted from the circular of FGG dated 18 June 2014 and included in this circular on a voluntary basis. Capitalised terms used herein shall have the same meanings as those defined in the FGG Circular. In particular, capitalised terms including “Remaining Group”, “Disposal Group”, “Disposal” and “Group Reorganisation”, denote “the FGG Remaining Group”, “Target Group”, “Acquisition” and “FGG Group Reorganisation”, respectively, in this circular.

B. Unaudited Pro forma Consolidated Statement of Financial Position of the Remaining Group

	The Group as at 30 September 2013		Pro Forma Adjustments				Pro Forma Remaining Group	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(a)	(b)	(c)	(d)	(e)		
NON-CURRENT ASSETS								
Property, plant and equipment	157,034	(156,718)						316
Prepaid lease payment	3,542	(3,542)						–
Goodwill	5,970	(5,970)						–
Intangible asset	1,000	(1,000)						–
Deferred tax assets	1,718	(1,718)						–
	<u>169,264</u>							<u>316</u>
CURRENT ASSETS								
Inventories	135,701	(132,600)						3,101
Trade and bills receivables	155,309	(113,072)						42,237
Deposits, prepayments and other receivables	74,728	(74,655)						73
Amount due from a Disposal Group Entity	–	(92,306)			92,306			–
Prepaid lease payment	99	(99)						–
Derivative financial instruments	3,373	(3,373)						–
Tax recoverable	189	(189)						–
Bank balances and cash	<u>105,641</u>	<u>(98,652)</u>	<u>270,000</u>	<u>(5,715)</u>	<u>92,306</u>	<u>(321,618)</u>		<u>41,962</u>
	<u>475,040</u>							<u>87,373</u>
CURRENT LIABILITIES								
Trade and bills payables	86,102	(70,377)						15,725
Other payables and accruals	26,097	(25,321)						776
Amount due to Disposal Group Entities	–	11,342						11,342
Amount due to related companies	1,228	(1,228)						–
Derivative financial instruments	2,504	(2,504)						–
Tax payable	17,833	(17,774)		4,625				4,684
Bank borrowings	<u>126,541</u>	<u>(108,143)</u>						<u>18,398</u>
	<u>260,305</u>							<u>50,925</u>
NET CURRENT ASSETS	<u>214,735</u>							<u>36,448</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>383,999</u>							<u>36,764</u>

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE FGG REMAINING GROUP

	The Group as at 30 September 2013		Pro Forma Adjustments				Pro Forma Remaining Group	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(a)	(b)	(c)	(d)	(e)		
CAPITAL AND RESERVES								
Share capital	4,467					4,467		
Reserves	<u>373,236</u>		8,981	(10,340)		(321,618)	<u>32,297</u>	
Equity attributable to owners of the Company	377,703						36,764	
Non-controlling interests	<u>2,321</u>	(2,321)					—	
TOTAL EQUITY	<u>380,024</u>						<u>36,764</u>	
NON-CURRENT LIABILITIES								
Defined benefit obligations	1,760	(1,760)					—	
Deferred tax liabilities	<u>2,215</u>	(2,215)					—	
	<u>3,975</u>						—	
	<u>383,999</u>						<u>36,764</u>	

APPENDIX II
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE FGG REMAINING GROUP**
**C. Unaudited Pro forma Consolidated Statement of Profit or Loss and Other
Comprehensive Income of the Remaining Group**

	The Group for the year ended 31 March 2013 HK\$'000	Pro Forma Adjustments					Pro Forma Remaining Group HK\$'000
		HK\$'000 (f)	HK\$'000 (c)	HK\$'000 (g)	HK\$'000 (h)	HK\$'000 (l)	
Revenue	1,071,162	(755,856)					315,306
Cost of sales	<u>(899,018)</u>	610,529					<u>(288,489)</u>
Gross profit	172,144						26,817
Other income	1,832	(1,832)					–
Other expense			(5,715)				(5,715)
Other gains and losses	4,046	(4,046)		6,392			6,392
Selling and distribution costs	(33,586)	31,100					(2,486)
Administrative expenses	(111,230)	103,451			(5,000)	(840)	(13,619)
Share-based payment expenses	(12,060)						(12,060)
Interest on bank borrowings	<u>(3,370)</u>	2,392					<u>(978)</u>
Profit (loss) before tax	17,776						(1,649)
Income tax expense	<u>(10,507)</u>	7,853	(4,625)				<u>(7,279)</u>
Profit (loss) for the year	7,269						(8,928)
Other comprehensive income							
Remeasurement of defined benefit obligations	(845)	845					–
Exchange difference arising on translation	481	(481)					–
Release of exchange differences accumulated in equity	<u>–</u>			(6,392)			<u>(6,392)</u>
Total comprehensive income (expense) for the year	<u>6,905</u>						<u>(15,320)</u>
Profit (loss) for the year attributable to:							
Owners of the Company	11,178	(10,318)	(10,340)	6,392	(5,000)	(840)	(8,928)
Non-controlling interests	<u>(3,909)</u>	3,909					<u>–</u>
	<u>7,269</u>						<u>(8,928)</u>
Total comprehensive income (expense) attributable to:							
Owners of the Company	10,799	(9,939)	(10,340)	–	(5,000)	(840)	(15,320)
Non-controlling interests	<u>(3,894)</u>	3,894					<u>–</u>
	<u>6,905</u>						<u>(15,320)</u>

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE FGG REMAINING GROUP

D. Unaudited Pro forma Consolidated Statement of Cash Flows of the Remaining Group

	The Group for the year ended 31 March 2013	Pro Forma Adjustments							Pro Forma Remaining Group
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(i)	(c)	(e)	(g)	(h)	(j)	(k)	(l)
OPERATING ACTIVITIES									
Profit (loss) before tax	17,776	(14,262)	(5,715)		6,392	(5,000)			(840)
Adjustments for:									
Depreciation of property, plant and equipment	18,675	(18,476)							199
Loss on disposal of property, plant and equipment and prepaid lease payments	356	(356)							-
Write-down of inventories	1,600	(1,600)							-
Gain on fair value changes of derivative financial instruments	(3,935)	3,935							-
Interest income	(656)	656							-
Interest on bank borrowings	3,370	(2,392)							978
Recognition of equity-settled share-based payments	12,060	-							12,060
Release of prepaid lease payments	99	(99)							-
Provision for defined benefit obligations	399	(399)							-
Reclassification of exchange differences accumulated in equity	-				(6,392)				(6,392)
Operating cashflows before working capital changes	49,744								5,196
(Increase) decrease in inventories	(1,830)	4,155							2,325
Increase in trade and bills receivables	(19,898)	(12,355)							(32,253)
Decrease (increase) in deposits, prepayments and other receivables	16,424	(16,424)							-
(Decrease) increase trade payables	(2,605)	15,499							12,894
(Decrease) increase in other payables and accruals and defined benefit obligations	(9,149)	9,996							847
Increase in bank borrowing from discounted bills with recourse	415	(415)							-
Decrease in amounts due to related companies – trade	(13,256)	13,256							-
Decrease in amount due to Disposal Group-trade	-	10,011							10,011
Proceeds from and settlement of derivative financial instruments	1,695	(1,695)							-
Cash generated from operations	21,540								(980)
Interest paid on bank borrowings	(2,990)	2,012							(978)
Profits tax refunded	1,181	(2,276)							(1,095)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	19,731								(3,053)

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE FGG REMAINING GROUP

D. Unaudited Pro forma Consolidated Statement of Cash Flows of the Remaining Group – Continued

	The Group for the year ended 31 March 2013	Pro Forma Adjustments							Pro Forma Remaining Group
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(i)	(c)	(e)	(g)	(h)	(j)	(k)	(l)
INVESTING ACTIVITIES									
Settlement of amount due from a Disposal Group Entity								83,583	83,583
Acquisition of subsidiaries	(3,500)	3,500							-
Proceeds from disposal of property, plant and equipment and leasehold land	7,651	(7,651)							-
Interest received	656	(656)							-
Purchase of property, plant and equipment	(46,563)	46,379							(184)
NET CASH(USED IN) FROM INVESTING ACTIVITIES	(41,756)								83,399
FINANCING ACTIVITIES									
Dividend paid	-			(315,360)					(315,360)
Proceeds from disposal of subsidiaries	-						177,652		177,652
Proceeds from exercise of share options	72	-							72
Repayment of mortgage loans	(1,297)	1,297							-
Net import loan and trust receipt loans raised	78,840	(76,028)							2,812
Repayment of bank borrowings	(17,393)	17,393							-
NET CASH FROM (USED IN) FINANCING ACTIVITIES	60,222								(134,824)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,197								(54,478)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	104,230								104,230
Effect of foreign exchange rate changes	64	(64)							-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	142,491								49,752

Notes:

- (a) The adjustment represents the exclusion of the assets and liabilities of the Disposal Group as at 30 September 2013, assuming the Disposal and the Group Reorganisation had taken place on 30 September 2013

The assets and liabilities of the Disposal Group represent the assets and liabilities of FG Holdings Group as at 30 September 2013, which are extracted from the unaudited consolidated management accounts of FG Holdings Group as at 30 September 2013, after adjustments to exclude the assets and liabilities of Top Value to be transferred to Best Keen and the assets and liabilities to be transferred from FG International to United Gainer, assuming the transfers had been taken place on 30 September 2013.

- (b) The adjustment represents (i) the net proceeds from the Disposal of HK\$270,000,000 and (ii) the deemed distribution to a shareholder of HK\$8,981,000 calculated as the difference between the consideration of HK\$270,000,000 and the net asset value of the Disposal Group of HK\$281,302,000 less the non-controlling interests of HK\$ 2,321,000 assuming that the Disposal had been taken place on 30 September 2013. As the Disposal is a transaction between the Group and Sure Strategy, which is a substantial shareholder of the Company, the Disposal is accounted for as a transaction with an equity participant and therefore, the difference between the consideration and the net asset value of the Disposal Group less the non-controlling interests is adjusted to equity as deemed distribution or contribution, as appropriate.

Since the actual carrying amounts of the assets and liabilities of the Disposal Group upon completion of the Disposal will be different from the amounts used in the preparation of the unaudited pro forma financial information, actual amount of deemed distribution or contribution arising from the Disposal may be significantly different from the estimated amount shown above.

- (c) The adjustment represents (i) the estimated legal and professional fees directly attributable to the Disposal of HK\$5,715,000; and (ii) the capital gains tax directly attributable to the Disposal of HK\$4,625,000.

For the purpose of this unaudited pro forma financial information, the PRC capital gains tax and Indonesian capital gains tax are estimated by the directors of the Company as HK\$3,732,000 and HK\$893,000, respectively, based on tax rules and regulations in the respective tax jurisdictions. Total amount of the capital gains tax payable is estimated to be HK\$4,625,000.

- (d) The adjustment represents settlement of the loan to a Disposal Group Entity of HK\$92,306,000 at 30 September 2013, assuming the settlement had been taken place on 30 September 2013.
- (e) The adjustment represents payment of Special Cash Dividend of HK\$0.720 per share totalling approximately HK\$321,618,000 and HK\$315,360,000, based on 446,692,000 shares and 438,000,000 shares of the Company in issue as at 30 September 2013 and 1 April 2012, respectively, assuming the payment of Special Cash Dividend had been made on these dates.
- (f) The adjustment represents the exclusion of the unaudited results of the Disposal Group for the year ended 31 March 2013, which are extracted from note 3 of the unaudited financial information of FG Holdings Group for the year ended 31 March 2013, as set out in in Appendix III to this Circular, assuming the Disposal and the Group Reorganisation had been taken place on 1 April 2012.
- (g) The adjustment represents the reclassification of exchange differences accumulated in equity as at 1 April 2012 to profit or loss in respect of foreign operations of the Disposal Group.
- (h) The adjustment represents elimination of intra-group management fee charged to FG International by the Company, which is not directly attributable to the HK Garment Sourcing Business of the Remaining Group.

- (i) The adjustment represents the exclusion of the unaudited cash flows of the Disposal Group for the year ended 31 March 2013, assuming the Disposal and, the Group Reorganisation had been taken place on 1 April 2012.

The unaudited cash flows of the Disposal Group represent the unaudited cash flows of FG Holdings Group for the year ended 31 March 2013, which are extracted from the unaudited consolidated management accounts of FG Holdings Group for the year ended 31 March 2013, after adjustment to exclude the unaudited cash flows Top Value and the HK Garment Sourcing Business for the year ended 31 March 2013, assuming the transfer had been taken place on 1 April 2012.

- (j) This represents the net cash receipt arising from (i) proceeds from the Disposal of HK\$270,000,000 net of (ii) bank balances and cash of the Disposal Group at 1 April 2012 of HK\$92,348,000 being disposed of.
- (k) The adjustment represents the settlement of the amount due from a Disposal Group Entity of HK\$83,583,000 at 1 April 2012, assuming the settlement had been taken place on 1 April 2012.
- (l) The adjustment represents the annual rental expenses of HK\$840,000 set out in the lease agreement to be entered into between FG International (as the landlord) and United Gainer (as the tenant) for the leasing of an office premise ("HK Lease Agreement"). The Disposal is conditional upon the execution of the HK Lease Agreement.

All adjustments are not expected to have a continuing effect on the Remaining Group, except for the rental arrangement referred to in (l) above.

The information in this appendix is extracted from appendix VI of the FGG Circular, comprising: (i) the property valuation report dated 18 June 2014 from Grant Sherman Appraisal Limited on the property interest of the Target Group in Hong Kong and PRC; and (ii) the property valuation report dated 18 June from Roma Appraisals Limited on the property interest of the Target Group in Jordan. Both property valuation reports were prepared for the purpose of incorporation in the FGG circular. Therefore, capitalised terms used herein shall have the same meanings as those defined in the FGG circular. In particular, capitalised terms including “Company”, “Group”, and “Disposal Group”, denote “FGG”, “FGG Group”, and “Target Group”, respectively, in this circular.



Unit 1005, 10/F., AXA Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

18 June 2014

The Directors
Ford Glory Group Holdings Limited
19th Floor,
Ford Glory Plaza,
No. 37 Wing Hong Street,
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Ford Glory Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) in the People’s Republic of China (“the PRC”) and the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 31 March 2014 (“date of valuation”) for the purpose of incorporation into the circular issued by the Company on the date hereof.

Our valuation is our opinion of the market value of the property interests where we would define market value as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interest in Group I which is held by the Group for self-occupation in Hong Kong, we have adopted direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc. between the comparable properties and the subject property.

In valuing the property interest in Group II which is held by the Group for self-occupation in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price in Jiangmen City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

In valuing the property interests which are situated in Hong Kong and held under the government leases which will be expired before 30 June 2047, we have taken into account of the statement contained in the Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases would have been extended without payment of premium until 30 June 2047 and that an annual rent of three percent of the rateable values of the properties would be charged from the date of extension.

We have caused searches to be made on the title of the properties at the Land Registry in Hong Kong, however, we have not scrutinized the original title documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us.

We have been provided with copies of extracts of title documents relating to the property in the PRC. However, we have not caused title searches to be made for the property interest at the relevant government bureaus in the PRC and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any

subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinion (“the PRC legal opinion”) provided by the Group’s PRC legal adviser, GFE Law Office.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exterior, and where possible, the interiors of the properties, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation certificates.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have fully complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties in the PRC include: (i) PRC business tax (equivalent to 5% of sales revenue), (ii) PRC land appreciation tax (equivalent to 30%-60% of the net appreciation amount) and (iii) PRC corporate income tax (25%). It is unlikely that such tax liability will be crystallised in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. Except for applicable stamp duties, the potential gain arising from the sales of the property in Hong Kong shall be capital in nature and not subject to any taxation.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate adopted in valuing the property interest in the PRC as at 31 March 2014 was HK\$ 1: RMB0.7942. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith our summary of valuation together with the valuation certificates.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP)MHIREA
Director
Real Estate Group

Note:

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 10 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

SUMMARY OF VALUATION

Group I – Property interests to be acquired by the Disposal Group in Hong Kong for self-occupation purpose

Property	Market Value in existing state as at 31 March 2014	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 March 2014
1. 19th Floor, Ford Glory Plaza, No. 37 Wing Hong Street, Kowloon, Hong Kong	HK\$21,000,000	100%	HK\$21,000,000
2. Carparking spaces Nos. P21 to P25 on 2nd Floor, Ford Glory Plaza, No. 37 Wing Hong Street, Kowloon, Hong Kong	HK\$5,000,000	100%	HK\$5,000,000
Sub-total	HK\$26,000,000		HK\$26,000,000

Group II – Property interest to be acquired by the Disposal Group in the PRC for self-occupation purpose

3. The lands and buildings located at No. 54 Yingbin Road East, Jinfeng Industrial Development Zone (formerly known as Gangmei Mountain, Chenchong Villagers' Committee), Luokeng Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC	RMB55,700,000 (equivalent to approximately HK\$70,100,000)	100%	RMB55,700,000 (equivalent to approximately HK\$70,100,000)
Total	HK\$96,100,000		HK\$96,100,000

VALUATION CERTIFICATE

Group I – Property interests to be acquired by the Disposal Group in Hong Kong for self-occupation purpose

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 March 2014
1. 19th Floor, Ford Glory Plaza, No. 37 Wing Hong Street, Kowloon, Hong Kong	The property comprises the whole on 19th Floor of a 32-storey office building completed in 2008.	The property was occupied by the Group for office use as at the date of valuation.	HK\$21,000,000
1,038 / 30,000th equal and undivided shares of and in the Remaining Portion of New Kowloon Inland Lot No. 2828, the Remaining Portion of Section A of New Kowloon Inland Lot No. 2828 and the Remaining Portion of Sub-section 2 of Section A of New Kowloon Inland Lot No. 2828	The total gross floor area of the property is approximately 10,377 sq.ft. The property is held under Conditions of Sale No. UB4152 for a term of 75 years renewable for 24 years commencing on 1 July 1898. Government Rent payable for annum is HK\$23,688.		100% Market Value in existing state attributable to the Group as at 31 March 2014 HK\$21,000,000

Notes:

- Pursuant to the Land Register, the current registered owner of the property is Ford Glory International Limited.
- The property is subject to a mortgage in favour of DBS Bank (Hong Kong) Limited dated 16 January 2009 vide a memorial no. 09020901960060.
- The property is subject to an Assignment of Rentals in favour of DBS (Hong Kong) Limited dated 11 June 2009 vide a memorial no. 09070601540124.
- According to the Cheung Sha Wan Outline Zoning Plan (Plan No. S/K5/35), the land the property situated is zoned for Other Specified Uses.
- The property was inspected by Ms Erica Zhang (BSc(Surveying), FRM) on 11 February 2014, the external condition of the property is reasonable.
- The property is situated on the Ford Glory Plaza, Ford Glory Plaza is situated along Wing Hong Street which is a well-developed industrial area, various medium-high rise industrial buildings erected nearby. Lai Chi Kwok MTR Station is about 10-minute walking distance. Ford Glory Plaza is accessible by bus, mini-bus, taxi and MTR.
- According to the information from Rating and Valuation Department, the average yield of the office property in February 2014 is about 2.9%.
- As advised by the Company, Ford Glory International Limited is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Ford Glory Holdings Limited as at the Latest Practicable Date.

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 March 2014
2. Caparking spaces Nos. P21 to P25 on 2nd Floor, Ford Glory Plaza, No. 37 Wing Hong Street, Kowloon, Hong Kong	The property comprises 5 carparking spaces on 2nd floor of a 32-storey office building completed in 2008.	The property was occupied by the Group for carparking use as at the date of valuation.	HK\$5,000,000
	The property is held under Conditions of Sale No. UB4152 for a term of 75 years renewable for 24 years commencing on 1 July 1898. Government Rent payable for annum is HK\$23,688.		Interest attributable to the Group 100%
55 / 30,000th equal and undivided shares of and in the Remaining Portion of New Kowloon Inland Lot No. 2828, the Remaining Portion of Section A of New Kowloon Inland Lot No. 2828 and the Remaining Portion of Sub-section 2 of Section A of New Kowloon Inland Lot No. 2828			Market Value in existing state attributable to the Group as at 31 March 2014 HK\$5,000,000

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is Ford Glory International Limited.
2. The property is subject to a mortgage in favour of DBS Bank (Hong Kong) Limited dated 16 January 2009 vide a memorial no. 09020901960060.
3. The property is subject to an Assignment of Rentals in favour of DBS (Hong Kong) Limited dated 11 June 2009 vide a memorial no. 09070601540124.
4. According to the Cheung Sha Wan Outline Zoning Plan (Plan No. S/K5/35), the land the property situated is zoned for Other Specified Uses.
5. The property was inspected by Ms Erica Zhang (BSc(Surveying), FRM) on 11 February 2014, the external condition of the property is reasonable.
6. The property is situated on the Ford Glory Plaza, Ford Glory Plaza is situated along Wing Hong Street which is a well-developed industrial area, various medium-high rise industrial buildings erected nearby. Lai Chi Kwok MTR Station is about 10-minute walking distance. Ford Glory Plaza is accessible by bus, mini-bus, taxi and MTR.
7. As advised by the Company, Ford Glory International Limited is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Ford Glory Holdings Limited as at the Latest Practicable Date.

Group II – Property interest to be acquired by the Disposal Group for self-occupation purpose in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 March 2014
3. The lands and buildings located at No. 54 Yingbin Road East, Jinfeng Industrial Development Zone (formerly known as Gangmei Mountain, Chenchong Villagers' Committee), Luokeng Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC	<p>The property comprises 3 parcels of land together with 7 single to 4-storey buildings completed in between 2002 and 2008 erected thereon.</p> <p>The total site area and total gross floor area of the property are approximately 65,677 sq.m. and 37,392 sq.m. respectively.</p> <p>The land use rights of the property were granted for a term of 50 years expiring on 17 July 2050 for industrial use.</p>	<p>Portion of the property was occupied by the Group for industrial and ancillary uses as at the date of valuation.</p> <p>Two parcels of land of the property with a site area of approximately 15,585 sq.m. was leased to a connected party for a term commencing on 1 April 2013 and expiring on 31 March 2014 at a monthly rent of RMB 33,000 exclusive of management fee and other operating outgoings. These two land parcels were occupied by the tenant for industrial and ancillary uses.</p>	<p>RMB55,700,000</p> <p>(equivalent to approximately HK\$70,100,000)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 31 March 2014</p> <p>RMB55,700,000</p> <p>(equivalent to approximately HK\$70,100,000)</p>

Notes:

- Pursuant to 3 State-owned Land Use Certificates (Document No.: Xin Guo Yong (2007) No. 01102, 01103 and 01104), the land use rights of the property with a total site area of approximately 65,677 sq.m. were granted to Jiangmen V-Apparel Manufacturing Limited for a term of 50 years expiring on 17 July 2050 for industrial use. The particulars are as below:

Lot No.	Approximate Site Area (sq.m.)	State-owned Land Use Certificates (Document No.s)
045002257	50,092	Xin Guo Yong (2007) No. 01102
045002258	2,750	Xin Guo Yong (2007) No. 01103
045002259	12,835	Xin Guo Yong (2007) No. 01104
Total	65,677	

2. Pursuant to 7 Real Estate Ownership Certificates (Document Nos.: Yue Dang Di Zheng Zi Nos.: C7047122 to C7047128), the ownership of 7 buildings with a total gross floor area of approximately 37,392 sq.m. is vested in Jiangmen V-Apparel Manufacturing Limited. The particulars are summarized as below:

Building Names	Approximate Gross Floor Area (sq.m.)	Year of completion	No. of storey	Building Ownership Certificates (Document Nos.)
Workshop C	4,000	2002	1	Yue Fang Di Zheng Zi No. C7047122
Dormitory A	4,623.6	2003	4	Yue Fang Di Zheng Zi No. C7047123
Dormitory B	4,623.6	2003	4	Yue Fang Di Zheng Zi No. C7047124
Electricity Transformer Room	180	2003	1	Yue Fang Di Zheng Zi No. C7047125
Canteen	1,944	2003	1	Yue Fang Di Zheng Zi No. C7047126
Workshop A	3,764.8	2008	1	Yue Fang Di Zheng Zi No. C7047127
Workshop B	18,256	2004	4	Yue Fang Di Zheng Zi No. C7047128
Total	37,392			

3. The property was inspected by Mr. Lawrence Chan Ka Wah (MRICS MHKIS RPS(GP) MHIREA) on 13 February 2014, the external condition of the property was reasonable.
4. The property is situated along Yingbin Road East in Jinfeng Industrial Development Zone, various low-rise industrial complexes are found nearby, it is about 30-minute driving distance to Xinhui Town Centre and about 45-minute driving distance to Jiangmen City. Bus and taxi are accessible to the property.
5. The average selling price of the industrial land in the locality is about RMB 252 per sq.m.
6. As confirmed by the Company, the tenant, Victory City Holdings Limited is a connected party.
7. As advised by the Company, Jiangmen V-Apparel Manufacturing Limited is a company incorporated in the PRC and wholly-owned by Ford Glory Holdings Limited as at the Latest Practicable Date.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, GFE Law Office, which contains, inter alia, the following information:
- The current registered owner of the property is Jiangmen V-Apparel Manufacturing Limited, the property is entitled to be occupied, transferred, leased and mortgaged;
 - The property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property; and
 - The tenancy agreement entered into between Jiangmen V-Apparel Manufacturing Limited and the tenant is valid and legally effective.

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuations as at 31 March 2014 of the property.



Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

18 June 2014

Ford Glory Group Holdings Limited

19th Floor,
Ford Glory Plaza,
37-39 Wing Hong Street,
Cheung Sha Wan,
Kowloon, Hong Kong

Dear Sir/Madam,

In accordance with your instructions for us to value the property in which Ford Glory Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in Jordan, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 March 2014 (the “Date of Valuation”) for the purpose of incorporation in the Circular of the Company dated 18 June 2014.

1. BASIS OF VALUATION

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

Due to the specific purpose for which the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach (“DCR”) is based on an estimate of the Market Value for the existing use of the land, plus the current cost of

replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, Depreciated Replacement Cost approach may be used as a substitute for the Market Value of specialized property, due to the lack of market comparables available. Our valuation does not necessarily represent the amount that might be realized from the disposition of the property and the DRC is subject to adequate profitability of the concerned business.

3. TITLE INVESTIGATION

We have been provided with extracts of various documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify the existing titles to the property or any amendment, which may not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal adviser. In the course of our valuation, we have relied upon the advice provided the Group's legal adviser, AL-KHALIL Law Firm information given by the Group regarding the titles of the property. All documents have been used for reference only.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site / floor areas, ages of buildings and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site / floor areas of the property under consideration but we have assumed that the site / floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group and its Jordan auditor (Certified Public Accountant – Ghosheh & Co.), there is no potential tax liabilities, which include business tax, profits tax and land value appreciation tax, may arise from the sale of the property. As advised by the Group, the likelihood of any potential tax liability being crystallised is remote as the Group has no intention to sell the property.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong Dollar (HK\$). Where appropriate, the exchange rates that we have adopted 1 Jordanian Dinar (JOD) to HK\$10.991.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Dr. Alan W K Lee
BCom(Property) MFin PhD(BA)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Associate Director

Frank F Wong
BA(Business Admin) MSc (Real Estate)
MRICS Registered Valuer
Associate Director

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 10 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

Note: Mr. Frank F Wong is a Chartered Surveyor and Registered Valuer who has 15 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 7 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Papua New Guinea, France, United States, Abu Dhabi (UAE) and Jordan.

VALUATION CERTIFICATE

Property Interest held by the Disposal Group in Jordan

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2014
Block F Industrial Building located at plot number 1340 parcel number 3 Al Raqem Al Tajamouat Industrial City South Amman Jordan	<p>The property comprises a parcel of land with site area of approximately 5,407 sq.m.</p> <p>Erected on the land is a 4-storey industrial building with a gross floor area of approximately 7,815 sq.m. completed in about 2002.</p> <p>There is a later extension of a 2-storey building of gross floor area approximately 1,130 sq.m.</p> <p>The land is held under of Fee Simple Estate.</p>	<p>The property is operated as a garment manufacturing factory.</p>	<p>HK\$21,900,000</p> <p>100% interest attributable to the Group:</p> <p>HK\$21,900,000</p>

Notes:

- Pursuant to a title deed, Jerash Garments & Fashions Manufacturing Company Limited ("Jerash") is the registered owner.
- Jerash is a wholly-owned subsidiary of the Company.
- The inspection was performed on 22 March 2014 by Mr. Muhammad Ezzat Mohammad Salameh who is a Licensed Appraiser in Jordan Appraiser Union and licensed by the Department of Land and Survey and Ministry of Industry and Trade, the Hashemite Kingdom of Jordan. He also holds the membership of Amman Chamber of Commerce. He has 25 years' experience in the valuation of properties in the Jordan. Our valuation opinion is reached having regard to the finding by Mr. Muhammad Ezzat Mohammad Salameh.
- Fee Simple Estate is where the owner is entitled to entire property, with unconditional power of disposition. The estate is unlimited as to duration, disposition, and descendibility.
- We have been provided with a legal opinion regarding the property interest issued by the Group's legal advisers of relevant jurisdiction, which contains, inter alia, the following:
 - According to the Title Deed, Jerash Garments & Fashions Manufacturing Company Limited ("Jerash") owns the property;
 - According to the Jerash's Title Deed, there are no legal encumbrances, such as mortgages or charges on the said immovable property;
 - The occupancy of the said immovable property complies with prevailing Environmental Protection Regulations;
 - The title of the said immovable property is the Jerash with free usage; and
 - The said immovable property is totally owned by the Jerash (freehold). Accordingly, Jerash is the owner of the Assets (Building F, Equipment and Machinery therein) and is entitled to act with it in any legal manner it deems proper.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or is deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

(i) Directors' and chief executive's interests and short positions in Shares and underlying Shares

Name of director	The Company /name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Li	The Company	Founder of a trust	393,612,000 Shares (L) (Note 2)	–	22.51% (Note 28)
	The Company	Beneficial owner	–	1,200,000 Shares (L) (Note 4)	0.07%
	Victory City Company Limited (Note 26)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%

APPENDIX IV

GENERAL INFORMATION

Name of director	The Company /name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Li	Victory City Overseas Limited (Note 26)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
	FGG (Note 26)	Founder of a trust	3,512,080 FGG Shares (L) (Note 2)	–	0.69%
	FGG (Note 26)	Beneficial owner	277,360 FGG Shares (L)	–	0.05%
Mr. Chen	The Company	Founder of a trust	393,612,000 Shares (L) (Note 3)	–	22.51% (Note 28)
	The Company	Beneficial owner	2,070,000 Shares (L)	–	0.12%
	The Company	Beneficial owner	–	1,200,000 Shares (L) (Note 4)	0.07%
	Victory City Company Limited (Note 26)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 26)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
	FGG (Note 26)	Founder of a trust	3,512,080 FGG Shares (L) (Note 3)	–	0.69%
	FGG (Note 26)	Beneficial owner	309,000 FGG Shares (L)	–	0.06%
	The Company	Beneficial owner	8,198,000 Shares (L)	–	0.47%
Mr. Choi	The Company	Beneficial owner	–	12,000,000 Shares (L) (Note 5)	0.69%

APPENDIX IV

GENERAL INFORMATION

Name of director	The Company /name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Choi	Victory City Overseas Limited (Note 26)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	–	21.2%
	FGG (Note 26)	Interest of controlled corporation	317,552,000 FGG Shares (L) (Note 6)	–	62.4%
	Sure Strategy (Note 26)	Interest of controlled corporation	49 ordinary shares of US\$1.00 each (L) (Note 7)	–	49%
	FG Holdings (Note 26)	Interest of controlled corporation	100 shares of US\$1.00 each (L) (Note 8)	–	100%
	Brilliant Fashion Inc. (Note 26)	Interest of controlled corporation	100 common shares of no par value (L) (Note 13)	–	100%
	FG International (Note 26)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 14)	–	100%
	Glory Time Limited (Note 26)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 15)	–	70%
	Mayer Apparel Limited (Note 26)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 12)	–	51%
	PT. Victory Apparel Semarang (Note 26)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) (Note 11)	–	100%
	Surefaith Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	–	100%
	Top Value Inc. (Note 26)	Interest of controlled corporation	200 common shares of no par value (L) (Note 13)	–	100%

APPENDIX IV

GENERAL INFORMATION

Name of director	The Company /name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Choi	Value Plus (Macao Commercial Offshore) Limited (Note 26)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 16)	–	100%
	Victory Apparel (Jordan) Manufacturing Company Limited (Note 26)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 10)	–	100%
	Wealth Choice Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	–	100%
	福之源貿易(上海)有限公司 (Ford Glory Trading (Shanghai) Limited*) (Notes 24 and 26)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 9)	–	100%
	Gojifashion Inc. (Note 27)	Interest of controlled corporation	100 common shares of no par value (L) (Note 13)	–	50%
	Happy Noble Holdings Limited (Note 26)	Interest of controlled corporation	70 ordinary shares of US\$1.00 each (L) (Note 14)	–	70%
	Sky Winner Investment Limited (Note 26)	Interest of controlled corporation	100 ordinary shares of HK\$1.00 each (L) (Note 17)	–	100%
	福源創業信息諮詢服務(深圳)有限公司 (Ford Glory (Shenzhen) International Limited*) (Notes 25 and 26)	Interest of controlled corporation	Registered capital of HK\$3,000,000 (L) (Note 9)	–	100%

APPENDIX IV

GENERAL INFORMATION

Name of director	The Company /name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Choi	Rocwide Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	–	100%
	Jiangmen V-Apparel Manufacturing Ltd. (江門冠暉制衣有限公司) (Note 26)	Interest of controlled corporation	Registered capital of HK\$31,260,000 (L) (Note 18)	–	100%
	One Sino Limited (Note 26)	Interest of controlled corporation	100 ordinary shares of US\$1.00 each (L) (Note 14)	–	100%
	Ford Glory (Cambodia) Manufacturing Limited (Note 26)	Interest of controlled corporation	Registered capital of US\$1,000,000 (L) (Note 19)	–	100%
	藝田貿易(上海)有限公司 (Teelocker Limited*) (Note 26)	Interest of controlled corporation	Registered capital of HK\$5,000,000 (L) (Note 20)	–	100%
	Global Trend Investments Limited (Note 26)	Interest of controlled corporation	1,100,000 ordinary shares of US\$1.00 each (L) (Note 10)	–	100%
	Jerash Garments and Fashions Manufacturing Company Limited (Note 26)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 21)	–	100%
	Talent Partner Holdings Limited (Note 26)	Interest of controlled corporation	51 ordinary shares of US\$1.00 each (L) (Note 22)	–	51%
	Green Expert Global Limited (Note 26)	Interest of controlled corporation	1 ordinary share of US\$1.00 each (L) (Note 23)	–	100%
	MT Studio Inc. (Note 26)	Interest of controlled corporation	1 common stock of no par value (L) (Note 23)	–	100%

Name of director	The Company /name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Choi	Ford Glory Inc. (Note 26)	Interest of controlled corporation	1 ordinary share of US\$0.01 each (L) (Note 23)	–	100%
	Major Time Limited (Note 26)	Interest of controlled corporation	1 ordinary share of HK\$1.00 each (L) (Note 23)	–	100%
	Just Perfect Holdings Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	–	100%
	Best Keen (Note 26)	Interest of controlled corporation	1 ordinary share of US\$1.00 each (L) (Note 29)	–	100%
	United Gainer (Note 26)	Interest of controlled corporation	1 ordinary share of HK\$1.00 each (L) (Note 30)	–	100%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	5,000,000 Shares (L) (Note 5)	0.29%
Phaisalakani Vichai	The Company	Beneficial owner	538,000 Shares (L)	–	0.03%

Notes:

- The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporations.
- These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li’s family members.
- These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen’s family members.
- On 2 April 2012, each of Mr. Li and Mr. Chen was granted 1,200,000 options under the share option scheme of the Company to subscribe for 1,200,000 Shares, exercisable at a price of HK\$0.782 per Share during a period from 2 April 2012 to 1 April 2017.
- On 2 April 2012, each of Mr. Choi and Mr. Lee Yuen Chiu, Andy was granted 12,000,000 and 5,000,000 options respectively under the share option scheme of the Company to subscribe for 12,000,000 Shares and 5,000,000 Shares respectively, exercisable at a price of HK\$0.782 per Share during a period from 2 April 2012 to 1 April 2017.
- These shares were held by Merlotte Enterprise and Sure Strategy of which Sure Strategy was owned as to 49% by Merlotte Enterprise, a company wholly-owned by Mr. Choi, and as to 51% owned by Victory City Investments, a wholly-owned subsidiary of the Company.

7. These shares were held by Merlotte Enterprise, a company wholly-owned by Mr. Choi.
8. These shares were held by FGG.
9. This registered capital was beneficially owned by FG International which is a wholly-owned subsidiary of FG Holdings.
10. These shares was beneficially owned by Wealth Choice Limited which is a wholly-owned subsidiary of FG Holdings.
11. These shares was beneficially owned by Surefaith Limited which is a wholly-owned subsidiary of FG Holdings.
12. Mayer Apparel Limited is 51% owned by FG Holdings.
13. These common shares were beneficially owned by FG Holdings.
14. These shares were beneficially owned by FG Holdings.
15. Glory Time Limited is 70% owned by FG Holdings.
16. This quota capital was beneficially owned by FG Holdings.
17. These shares were held by Happy Noble Holdings Limited.
18. The registered capital was beneficially owned as to 40% by FG Holdings and as to 60% by Rocwide Limited.
19. This registered capital was held by One Sino Limited.
20. This registered capital was beneficially owned by Sky Winner Investment Limited.
21. These shares were held by Global Trend Investments Limited.
22. Talent Partner Holdings Limited is 51% owned by FG Holdings.
23. This common stock or ordinary share, as the case may be, was beneficially owned by Talent Partner Holdings Limited.
24. Ford Glory Trading (Shanghai) Limited is the unofficial English translation of 福之源貿易(上海)有限公司.
25. Ford Glory (Shenzhen) International Limited is the unofficial English translation of 福源創業信息諮詢服務(深圳)有限公司.
26. These companies are subsidiaries of the Company.
27. Although this company is not a subsidiary of the Company, it is an associated corporation (within the meaning of Part XV of the SFO) of the Company.
28. Mr. Li and Mr. Chen aggregately hold over 30% of the voting share capital of the Company, which complied under the condition of syndicated loan.
29. This share was held by FGG.
30. This share was held by Best Keen.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had any interest or short position in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholders' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the parties (other than the Directors and the chief executives of the Company) which had interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Pearl Garden Pacific Limited	393,612,000 (L)	Beneficial owner (Note 2)	22.51%
Cornice Worldwide Limited	393,612,000 (L)	Interest of controlled corporation (Note 2)	22.51%
Madian Star Limited	393,612,000 (L)	Beneficial owner (Note 3)	22.51%
Yonice Limited	393,612,000 (L)	Interest of controlled corporation (Note 3)	22.51%
Fiducia Suisse SA	787,224,000 (L)	Trustee (Notes 2 & 3)	45.02%
David Henry Christopher Hill	787,224,000 (L)	Interest of controlled corporation (Note 6)	45.02%
Rebecca Ann Hill	787,224,000 (L)	Interest of spouse (Note 7)	45.02%
Ho Yuen Mui, Shirley	394,812,000 (L)	Interest of spouse (Note 4)	22.58%

Name of person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Or Kwai Ying	396,882,000 (L)	Interest of spouse (Note 5)	22.70%
Templeton Asset Management Limited	274,791,345 (L)	Investment manager	15.99%
Delta Lloyd Asset Management NV	119,979,186 (L)	Investment manager	7.00%

Notes:

1. The letter "L" represents the person's or entity's interests in the Shares.
2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li's family members. Mr. Chen is a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited.
3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen's family members. Mr. Li is a director of Madian Star Limited and Yonice Limited.
4. Ms. Ho Yuen Mui, Shirley is the wife of Mr. Li.
5. Ms. Or Kwai Ying is the wife of Mr. Chen.
6. These Shares were held by Fiducia Suisse SA as discretionary trustee for Mr. Li's family members and Mr. Chen's family members. Fiducia Suisse SA is wholly owned by David Henry Christopher Hill.
7. Rebecca Ann Hill is the wife of David Henry Christopher Hill.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person (other than a Director or chief executive of the Company) who had any other interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest within the Group.

As at the Latest Practicable Date, save as disclosed in this circular none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up.

Save as discloses in this circular, there is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation other than statutory compensation).

6. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, had been entered by members of the Group after the date falling two years prior to the issue of this circular and up to the Latest Practicable Date and which are or may be material:

- (i) the Share Sale Agreement;
- (ii) the Acquisition Agreement;
- (iii) an agreement dated 28 February 2014 ("**Facility Agreement**") entered into by, among others, Victory City Company Limited ("**Borrower**"), a wholly-owned subsidiary of the Company, the Company and certain of its subsidiaries (as guarantors), and a syndicate of banks, pursuant to which the banks have agreed to grant a loan facility ("**Facility**") divided into 2 tranches of up to the principal sums of HK\$1,547,800,000 and US\$56,800,000 (equivalent to approximately

HK\$440,200,000) respectively to finance the repayment of amount outstanding under the HK\$851,750,000 and US\$68,750,000 syndicated term loan facility agreement dated 15 March 2012 and the general corporate funding requirements of the Group, for a term of forty-two (42) months commencing from the date of the Facility Agreement; and

- (iv) the placing agreement dated 23 January 2013 entered into between the Company as the issuer and UOB Kay Hian (Hong Kong) Limited as placing agent (“**Placing Agent**”), pursuant to which the Company appointed the Placing Agent to procure for placees, on a best effort basis, to subscribe for up to 50,000,000 unlisted warrants (“**Warrants**”) issued by the Company at the issue price of HK\$0.01 per Warrant, each of which entitles the holder thereof to subscribe for one Share at the subscription price of HK\$0.89 per Share for a period of 12 months commencing from the date of issue of the Warrants subject to adjustments.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given their opinions or advice contained in this circular:

Name	Qualification
Halcyon Capital	A licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activity under the SFO
(a) As at the Latest Practicable Date, Halcyon Capital had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.	
(b) As at the Latest Practicable Date, Halcyon Capital did not have any interest, direct or indirect, in any assets which have been, since 31 March 2013, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.	
(c) As at the Latest Practicable Date, Halcyon Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter and/or report in the form and context in which they respectively appear.	

9. MISCELLANEOUS

- (i) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- (ii) The share registrar of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The company secretary of the Company is Mr. Lee Chung Shing, an associate member of the Chartered Institute of Management Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (iv) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 am to 5:00 pm (other than Saturdays, Sundays and public holidays) at the Company's principal place of business in Hong Kong at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong, from the date of this circular up to and including the date of the SGM:

- (i) the Share Sale Agreement;
- (ii) the Acquisition Agreement;
- (iii) the Guarantees;
- (iv) the letter of recommendation from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (v) the valuation reports on the property interests of the FGG Group prepared by Grant Sherman Appraisal Limited and Roma Appraisals Limited, the text of which are set out in Appendix III of this circular;
- (vi) the written consent of the experts referred to in the section headed "8. Qualification and consent of expert" in this appendix;
- (vii) the letter from Halcyon Capital, the text of which is set out in the section headed "Letter from Halcyon Capital" of this circular; and
- (viii) this circular.

NOTICE OF THE SGM



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Victory City International Holdings Limited (the “**Company**”) will be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on Thursday, 10 July 2014 at 11:30 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** the Share Sale Agreement (as defined in the circular (“**Circular**”) dated 18 June 2014 issued by the Company to its shareholders accompanying the notice convening this Meeting of which this resolution forms part) dated 14 March 2014 entered into between Unitech Enterprises Group Limited as purchaser (the “**Purchaser**”) and Sure Strategy Limited (“**Sure Strategy**”), Merlotte Enterprise Limited (“**Merlotte Enterprise**”) and Victory City Investments Limited as the vendors (collectively, the “**Vendors**”), under which an aggregate of 320,000,000 shares of Ford Glory Group Holdings Limited (“**FGG**”) shall be sold by the Vendors to the Purchaser at a total cash consideration of HK\$258,560,000 subject to the terms and conditions contained therein, and the transactions contemplated under the Share Sale Agreement be and are hereby approved, confirmed and ratified; and the directors of the Company be and are hereby authorised to do and take all such action, steps, deeds and things in such manner and to sign all documents as they may deem necessary, desirable or appropriate to give effect to the Share Sale Agreement and the transactions contemplated under it.”
2. “**THAT** the Acquisition Agreement (as defined in the Circular) for the acquisition of the entire issued share capital of Ford Glory Holdings Limited (“**FG Holdings**”) dated 14 March 2014 entered into between FGG as the vendor and Sure Strategy as the purchaser, under which the entire issued share capital of FG Holdings shall be sold by FGG to Sure Strategy at a total cash consideration of HK\$270,000,000 subject to the terms and conditions contained therein, and the transactions contemplated under or for the Acquisition Agreement be and are hereby approved, confirmed and ratified; and the directors of the Company be and are hereby authorised to do and take all such action, steps, deeds and things in

* For identification purposes only

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such manner and to sign all documents as they may deem necessary, desirable or appropriate to give effect to the Acquisition Agreement and the transactions contemplated under it.”

3. “**THAT** each of the Guarantees (as defined in the Circular) be and is hereby approved and that the directors of the Company be and are hereby authorised to do for and on behalf of the Company all such further acts and things and execute all such documents by hand or under seal, which is in their opinion, may be necessary, desirable or expedient to carry into effect the proposed provision of financial assistance by the Company to Ford Glory International Limited and/or Value Plus (Macao Commercial Offshore) Limited therein contemplated and all other matters in relation thereto or in connection therewith.”

By order of the board of
Victory City International Holdings Limited
Li Ming Hung
Chairman

Hong Kong, 18 June 2014

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
New Territories
Hong Kong

Notes:

1. Any member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares and entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the office of the Company's Hong Kong branch registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time of the Meeting or any adjourned meeting.
3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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5. A form of proxy for use at the Meeting is enclosed with the Company's circular dated 18 June 2014 to the Shareholders.
6. The ordinary resolutions set out above will be determined by way of poll.
7. As at the date of this notice, the board of directors of the Company comprises Mr. Li Ming Hung, Mr. Chen Tien Tui, Mr. Lee Yuen Chiu, Andy and Mr. Choi Lin Hung as executive directors and Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi as independent non-executive directors.