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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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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This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities in Victory City International Holdings Limited.

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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)

### PROPOSED CONNECTED TRANSACTION IN RELATION TO PROVISION OF GUARANTEES

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



Halcyon Capital Limited

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A letter from the Independent Board Committee is set out on pages 9 to 10 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 11 to 18 of this Circular.

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 15 September 2015 is set out on pages 32 to 33 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.

\* For identification purposes only

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## DEFINITIONS

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

|                       |   |
|-----------------------|---|
| “Announcement”        | the announcement of the Company dated 6 August 2015 in relation to, among other matters, the Proposed Connected Transaction   |
| “associate”           | has the meaning ascribed to it under Chapter 14A of the Listing Rules   |
| “BA”                  | Bank of America, N.A.   |
| “BA-Facilities”       | trade facilities of up to US\$7,000,000 (equivalent to approximately HK\$54,600,000) offered by BA to FG International on 28 July 2015  |
| “BA-Guarantee”        | the guarantee limited to US\$12,000,000 (equivalent to approximately HK\$93,600,000) and further interest, charges and expenses incurred by BA, to be provided by the Company in favour of BA to secure the BA-Facilities |
| “Banks”               | BA and IBT  |
| “Board”               | the board of Directors  |
| “BVI”                 | the British Virgin Islands  |
| “Company”             | Victory City International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange                                   |
| “Counter Indemnities” | the pro rata counter indemnities to be provided by Merlotte Enterprise in favour of the Company in respect of the Guarantees  |
| “Director(s)”         | director(s) of the Company  |
| “Facilities”          | the BA-Facilities and the IBT-Facilities  |
| “FG Holdings”         | Ford Glory Holdings Limited, a company incorporated in the BVI with limited liability and indirectly owned as to 51% by the Company and 49% by Merlotte Enterprise as at the Latest Practicable Date                      |

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## DEFINITIONS

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|--|---|
| “FG International”   | Ford Glory International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of FG Holdings as at the Latest Practicable Date   |
| “Group”  | the Company and its subsidiaries  |
| “Guarantees”   | the BA-Guarantee and the IBT-Guarantee  |
| “Halcyon Capital” or<br>“Independent Financial<br>Adviser” | Halcyon Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO  |
| “HK\$”   | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”  | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| “IBT”  | Industrial Bank of Taiwan Co., Ltd.   |
| “IBT-Facilities”   | trade and treasury facilities of up to HK\$71,200,000 offered by IBT to FG International on 17 July 2015  |
| “IBT-Guarantee”  | the guarantee not exceeding the aggregate amount equivalent to HK\$71,200,000 and a further sum for all accrued interest, cost, charges and expenses incurred by IBT, to be provided by the Company in favour of IBT to secure the IBT-Facilities |
| “Independent Board Committee”                              | the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Proposed Connected Transaction   |
| “Independent Shareholders”                                 | the Shareholders, other than the Shareholders who have a material interest in the Proposed Connected Transaction (i.e. Shareholders other than Mr. Choi and his associates)   |
| “Latest Practicable Date”                                  | 20 August 2015, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular   |
| “Listing Rules”  | the Rules Governing the Listing of Securities on the Stock Exchange   |

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## DEFINITIONS

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|----------------------------------|--|
| “Merlotte Enterprise”            | Merlotte Enterprise Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Choi as at the Latest Practicable Date   |
| “Mr. Choi”                       | Mr. Choi Lin Hung, an executive Director and the beneficial owner of the entire issued share capital of Merlotte Enterprise and 49% indirect interest in FG Holdings as at the Latest Practicable Date |
| “Proposed Connected Transaction” | the proposed provision of financial assistance by the Company to FG International in the form of the Guarantees  |
| “SFO”                            | the 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 Proposed Connected Transaction  |
| “Share(s)”                       | ordinary share(s) of HK\$0.01 each in the issued share capital of the Company  |
| “Shareholder(s)”                 | the holder(s) of Share(s)  |
| “Stock Exchange”                 | The Stock Exchange of Hong Kong Limited  |
| “US\$”                           | United States dollars  |

*Unless otherwise stated, amounts in US\$ in this Circular are converted to HK\$ at the rate of US\$1.00 = HK\$7.80 for illustration purposes.*

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## LETTER FROM THE BOARD

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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)

*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

27 August 2015

*To the Shareholders*

Dear Sirs

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

#### **INTRODUCTION**

Reference is made to the Announcement. The Company proposes to provide the Guarantees in favour of the Banks to secure the Facilities to be granted by the Banks to FG International.

The purpose of this Circular is to provide you with, among other matters, (i) further details of the Facilities and the Guarantees; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Connected Transaction; and (iv) a notice convening the SGM together with the proxy form and other information as required under the Listing Rules.

\* For identification purposes only

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## LETTER FROM THE BOARD

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### THE GUARANTEES

#### The IBT-Guarantee

On 17 July 2015, IBT confirmed their agreement to make available to FG International the IBT-Facilities of up to HK\$71,200,000, whereby the types of trade facilities include export open account finance, import open account finance, import acceptance, letter of credit, letter of guarantee, outward documentary bill and inward bill collection finance.

It is proposed that the Company would provide the IBT-Guarantee in favour of IBT to secure the IBT-Facilities.

FG International will not provide the Company with any guarantee fee or security in respect of the IBT-Guarantee. Other than the IBT-Guarantee, no guarantee or security will be provided in favour of IBT in respect of the IBT-Facilities.

Merlotte Enterprise will provide the Counter Indemnities in favour of the Company in respect of the IBT-Guarantee on a pro rata basis.

#### The BA-Guarantee

On 28 July 2015, BA confirmed their agreement to make available to FG International the BA-Facilities of up to US\$7,000,000 (equivalent to approximately HK\$54,600,000), whereby the types of trade facilities include commercial letters of credit, acceptances supported by trust receipts, trade bills, advances against trust receipts, standby letters of credit and other undertakings, negotiation under letter of credit and overdraft.

It is proposed that the Company would provide the BA-Guarantee in favour of BA to secure the BA-Facilities.

FG International will not provide the Company with any guarantee fee or security in respect of the BA-Guarantee. Other than the BA-Guarantee, no guarantee or security will be provided in favour of BA in respect of the BA-Facilities.

Merlotte Enterprise will provide the Counter Indemnities in favour of the Company in respect of the BA-Guarantee on a pro rata basis.

### INTENDED USE OF THE FACILITIES GRANTED TO FG INTERNATIONAL

The principal business of FG International is the manufacturing, sale and trading of garment products and accessories.

The trade facilities proposed to be provided by the Facilities will be used to finance the general operation of FG International. It is intended that FG International would mainly use the Facilities for its daily operation and business, including import and export of garment products and accessories. The amounts of the Facilities have been arrived at having regard principally to the requirement of additional banking facilities by FG International for its general operation in the foreseeable future.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE COMPANY AND THE GROUP

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

### REASONS FOR PROVISION OF THE GUARANTEES

As at the Latest Practicable Date, FG International is wholly owned by FG Holdings, which is in turn indirectly owned as to 51% by the Company and 49% by Merlotte Enterprise. 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 to be afforded by the Facilities.

Given that FG International is principally engaged in the business of manufacturing, sale and trading of garment products and accessories of the Group and taking into account the intended use of the facilities as mentioned above, the Board considers that the exposure of the Group to the liabilities under the Guarantees is commercially justifiable and therefore in the interests of the Company and the Shareholders as a whole. Further, the Board considers that the Proposed Connected Transaction will enable FG International, an indirect non-wholly-owned subsidiary of the Company engaging in the manufacturing, sale and trading of garment products and accessories, to maintain its existing financial resources, which is in the interests of the Company and the Shareholders as a whole, and that the provision of the Guarantees by the Company is in its ordinary and usual course of business.

In view that Merlotte Enterprise will give the Counter Indemnities in respect of the Guarantees on a pro rata basis, 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 interests of the Company and the Shareholders as a whole.

In view of Mr. Choi's equity interest in Merlotte Enterprise, Mr. Choi is deemed to have a material interest in the Proposed Connected Transaction and abstained from voting at the Board meeting approving the Proposed Connected Transaction. Apart from Mr. Choi, no other Directors are required to abstain from voting at the Board meeting approving the Proposed Connected Transaction.

### IMPLICATIONS UNDER THE LISTING RULES

The transaction contemplated under the provision of the Guarantees will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. FG International is wholly owned by FG Holdings which is indirectly owned 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 in the form of the Guarantees to FG International will exceed the proportional equity interest of the Company in FG International, the provision of the Guarantees in aggregate will constitute a non-exempt connected transaction for the Company and be subject to the announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Guarantees have not been provided. 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 a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the Counter Indemnities to be provided by Merlotte Enterprise, a company wholly owned by Mr. Choi, who is one of the Directors, in favour of the Company in respect of the Guarantees will be conducted on normal commercial terms or better and will not be secured by the assets of the Group, the transaction contemplated thereunder in aggregate will constitute a connected transaction fully exempt from Independent Shareholders' approval and all disclosure requirements under Rule 14A.90 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 Proposed Connected Transaction.

Mr. Choi and his associates, holding 8,500,000 Shares in aggregate as at the Latest Practicable Date, shall abstain from voting on the resolution approving the Proposed Connected Transaction 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 15 September 2015 at 10:00 a.m. is set out on pages 32 to 33 of this Circular. An ordinary resolution will be proposed at the SGM to consider, and if thought fit, to approve the Proposed Connected Transaction by way of poll.

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.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Directors consider that (i) the terms of the Proposed Connected Transaction are on normal commercial terms; (ii) the provision of the Guarantees by the Company is in the ordinary and usual course of business; and (iii) the Proposed Connected Transaction is 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 ordinary resolution at the SGM.

The Independent Board Committee, having considered the advice of Halcyon Capital, is of the opinion that the (i) the terms of the Proposed Connected Transaction are on normal commercial terms, fair and reasonable; (ii) the provision of the Guarantees by the Company is in the ordinary and usual course of business; and (iii) the Proposed Connected Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Proposed Connected Transaction. You are advised to read carefully the letter from the Independent Board Committee set out on pages 9 to 10 of this Circular. You are also advised to read carefully the letter from Halcyon Capital on pages 11 to 18 of this Circular which contains advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Connected Transaction.

### 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 9 to 10 and pages 11 to 18 of this Circular. Additional information is also set out in the Appendix to this Circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

27 August 2015

*To the Independent Shareholders*

Dear Sirs

### THE PROPOSED CONNECTED TRANSACTION

We refer to the circular dated 27 August 2015 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 Proposed Connected Transaction 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 4 to 8 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 Proposed Connected Transaction as set out on pages 11 to 18 of the Circular.

\* For identification purposes only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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After taking into consideration the advice from Halcyon Capital, we concur with the view of Halcyon Capital and consider that (i) the terms of the Proposed Connected Transaction are on normal commercial terms, fair and reasonable; (ii) the provision of the Guarantees by the Company is in the ordinary and usual course of business; and (iii) the Proposed Connected Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed in the SGM to approve the Proposed Connected Transaction.

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

**Mr. Kan Ka Hon**  
*Independent*  
*non-executive Director*

**Mr. Phaisalakani Vichai**  
*Independent*  
*non-executive Director*

**Mr. Kwok Sze Chi**  
*Independent*  
*non-executive Director*

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## LETTER FROM HALCYON CAPITAL

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*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 Proposed Connected Transaction.*



HALCYON CAPITAL LIMITED

11TH FLOOR

8 WYNDHAM STREET

CENTRAL

HONG KONG

27 August 2015

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs

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

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Proposed Connected Transaction, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in a circular of the Company (the “**Circular**”) to the Shareholders dated 27 August 2015, 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.

The Company proposes to provide the BA-Guarantee in favour of BA and IBT-Guarantee in favour of IBT, together the Guarantees, in respect of the Facilities to be granted by BA and IBT, respectively, to FG International.

FG International is an indirect wholly-owned subsidiary of Sure Strategy Limited (“**Sure Strategy**”) which is in turn held as to 51% indirectly by the Company and 49% by Merlotte Enterprise (which is wholly-owned by Mr. Choi, a Director) 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, the transactions contemplated under the provision of Guarantees to FG International by the Company in aggregate therefore constitute connected transactions pursuant to Rule 14A.63 of the Listing Rules.

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## LETTER FROM HALCYON CAPITAL

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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 Proposed Connected Transaction are fair and reasonable so far as the Independent Shareholders are concerned, whether the Proposed Connected Transaction is 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 Proposed Connected Transaction and the transactions contemplated thereunder, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether the Proposed Connected Transaction is 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.

Except for being appointed as the independent financial adviser to the then independent board committee and independent shareholders of the Company (details of which have been set out in the letter from Halcyon Capital as contained in the circular of the Company dated 18 June 2014 and letter from Halcyon Capital as contained in the circular of the Company dated 30 January 2015), there were no engagement between the Group and Halcyon Capital in last two years from the date of this letter. We consider that such relationship will not affect our independence as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Connected Transaction and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, 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.

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## LETTER FROM HALCYON CAPITAL

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Our review and analysis were based upon, among others, the information provided by the Group including the banking facility agreements in relation to the existing banking facilities granted by six independent financial institutions (the “**Existing Facilities**”), the corporate guarantees given by the Company in relation to the Existing Facilities (the “**Existing Guarantees**”), the Facilities, the Guarantees, the annual report of the Company for the year ended 31 March 2015 (the “**2015 Annual Report**”), 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 Proposed Connected Transaction, 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, Merlotte Enterprise, FG International or any of their respective subsidiaries or associates. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy shares or any other securities of the Company.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the Proposed Connected Transaction and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

#### 1. Background of the Guarantees

In July 2014, the Company completed the acquisition (the “**Acquisition**”) of the entire issued share capital of FG Holdings by Sure Strategy from Ford Glory Group Holdings Limited (“**Ford Glory**”), currently known as Highlight China IoT International Limited. FG Holdings in turn holds, among other things, the entire issued share capital of FG International.

Following completion of the Acquisition, FG International ceased to be a subsidiary of Ford Glory and, in conjunction with which, the Company has replaced Ford Glory for the provision of, among other corporate guarantees, the guarantees in favour of certain independent financial institutions to secure certain banking facilities granted to FG International.

For the two years ended 31 March 2015, FG International recorded revenue of approximately HK\$764.6 million and approximately HK\$802.7 million, which represented approximately 81.6% and approximately 87.5% of the revenue of the garment products segment of the Group for the two years ended 31 March 2015, respectively.

On 17 July 2015, IBT confirmed their agreement to make available to FG International the IBT-Facilities of up to HK\$71,200,000, whereby the types of trade facilities include export open account finance, import open account finance, import acceptance, letter of credit, letter of guarantee, outward documentary bill and inward bill collection finance.

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## LETTER FROM HALCYON CAPITAL

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Under the terms of the IBT-Facilities, the Company will be required to provide the IBT-Guarantee in favour of IBT in respect of the IBT-Facilities not exceeding the aggregate amount of HK\$71,200,000 and a further sum for all accrued interest, cost, charges and expenses incurred by IBT.

On 28 July 2015, BA confirmed their agreement to make available to FG International the BA-Facilities of up to US\$7,000,000 (equivalent to approximately HK\$54,600,000), whereby the types of trade facilities include commercial letters of credit, acceptances supported by trust receipts, trade bills, advances against trust receipts, standby letters of credit and other undertakings, negotiation under letter of credit and overdraft.

Under the terms of the BA-Facilities, the Company will be required to provide the BA-Guarantee in favour of BA in respect of the BA-Facilities in a maximum amount of US\$12,000,000 (equivalent to approximately HK\$93,600,000) and further interest, charges and expenses incurred by BA.

As stated in the Letter from the Board, FG International is principally engaged in the business of manufacturing, sale and trading of garment products and accessories. The trade facilities proposed to be provided by the Facilities will be used to finance the general operation of FG International. The amounts of the Facilities have been arrived at having regard principally to the requirement of additional banking facilities by FG International for its general operation in the foreseeable future. Furthermore, the Board considers that, among other things, the exposure of the Group to the liabilities under the Guarantees is commercially justifiable and the Proposed Connected Transaction will enable FG International to maintain its existing financial resources, which is in the interests of the Company and the Shareholders as a whole, and that the provision of the Guarantees by the Company is in its ordinary and usual course of business.

Furthermore, as advised by the management of the Company, the facilities amount under the Existing Facilities were approximately HK\$648.0 million in aggregate as at 31 March 2015, and the maximum amount of utilization of banking facilities by the Group during the year ended 31 March 2015 and up to the Latest Practicable Date was approximately HK\$242.2 million. In view of the continuous growth of the business of FG International and frequent utilization of the Existing Facilities, FG International has been offered by BA and IBT for the BA-Facilities and IBT-Facilities, respectively. The Facilities, in addition to the Existing Facilities, will extend the limit of the banking facilities of FG International and provide additional debts purchase services to FG International, which are expected to facilitate the continuous business expansion of FG International and enhance the flexibility of the business operation of FG International.

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 in favour of the Company for the Guarantees (“**Counter Indemnity**”).

Although there are alternative means to obtain further financing by FG International, such as supporting its business by means of shareholder loans or through equity financing, as advised by the Company, these alternatives would involve an outright cash payment by



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## LETTER FROM HALCYON CAPITAL

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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 Transaction will enable FG International, being a non-wholly owned subsidiary of the Company, to maintain its existing financial resources without affecting the Group's liquidity, 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 Existing Facilities and the Facilities

We have reviewed the facilities letters offered by BA and IBT to FG International in relation to the Facilities and the Existing Facilities, the major terms thereof are summarized as follows:

| Facilities amount (to be) granted  | Description of the relevant guarantees   |
|--|--|
| <i>Existing Facilities</i>   |  |
| Approximately HK\$648.0 million including approximately HK\$492.0 million trade and factoring facilities, HK\$123.0 million treasury product facility and Renminbi investment loan of approximately HK\$22.6 million and a revolving loan of HK\$10.0 million  | the Existing Guarantees given by the Company for an aggregate of HK\$682.0 million in favour of six respective financial institutions to secure the Existing Facilities                        |
| <i>Facilities</i>  |  |
| BA-Facilities  |  |
| Trade facilities of up to US\$7,000,000 (equivalent to approximately HK\$54,600,000) include commercial letters of credit, acceptances supported by trust receipts, trade bills, advances against trust receipts, standby letters of credit and other undertakings, negotiation under letter of credit and overdraft | the BA-Guarantee to be given by the Company for the guarantee limited to US\$12,000,000 (equivalent to approximately HK\$93,600,000) and further interest, charges and expenses incurred by BA |
| IBT-Facilities   |  |
| trade facilities of up to HK\$40,000,000 include export open account finance, import open account finance, import acceptance, letter of credit, letter of guarantee, outward documentary bill and inward bill collection finance and a treasury line of up to HK\$31,200,000   | the IBT-Guarantee to be given by the Company not exceeding the aggregate amount of HK\$71,200,000 and a further sum for all accrued interest, cost, charges and expenses incurred by IBT       |

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## LETTER FROM HALCYON CAPITAL

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As at the Latest Practicable Date, each of the above Existing Facilities was also secured by corporate guarantees given by the Company, with similar counter indemnities provided by Merlotte Enterprise. We therefore 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.

As stated in the letter from the Board, no guarantee fee or security in respect of the Guarantees would be provided by FG International. It is also noted from the circulars of the Company dated 18 June 2014 and 30 January 2015 that no guarantee fee or security was provided by FG International in respect of the banking facilities granted by The Hongkong and Shanghai Banking Corporation Limited to FG International and the corporate guarantees given by the Company in the banking facilities granted by five other financial institutions to FG International.

### **3. Capability of FG International to repay the Facilities**

The Facilities will provide an aggregate of approximately HK\$125.8 million trade facilities to FG International. The trade facilities under the Facilities would represent approximately 15.7% of the revenue of FG International for the year ended 31 March 2015. On the other hand, the maximum amount of the Existing Facilities utilised during the year ended 31 March 2015 and up to the Latest Practicable Date was approximately HK\$242.2 million, equivalent to approximately 59.6% of the unaudited total assets value of FG International as at 31 March 2015. Based on the financial statements of FG International for the year ended 31 March 2015, over 75% of the liabilities of FG International as at 31 March 2015 are related to the Existing Facilities.

As FG International is a trading company, it used 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 six months from the purchase of raw materials by FG International to the receipt of payments from the relevant end customers, and FG International normally grant a credit period between 30 days and 150 days, respectively to their respective customers. We have further reviewed the respective historical financial information of FG International for the three years ended 31 March 2015, and noted that FG International had no bad debts and no default in payment records. As further advised by the Company, FG International had not incurred any bad debts or made any provision for doubtful debts for the last three financial years ended 31 March 2015, and FG International had not been in default of or late in repayment of any bank facilities previously granted thereto.

### **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 Counter Indemnity in favour of Company in respect of the Guarantees on a pro-rata basis.

As advised by the Company, Merlotte Enterprise is an investment holding company and its principal asset is its 49% equity interest in Sure Strategy. Although the Counter Indemnity is unsecured and there is no assurance that Merlotte Enterprise would have

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## LETTER FROM HALCYON CAPITAL

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adequate financial resources to cover its obligations under the Counter Indemnity in the event that the full amount of the Counter Indemnity was called upon, by reliance on the Counter Indemnity, the Group's contingent liabilities in respect of the provision of the Guarantees would be effectively reduced to 51%, being the Company's indirect equity interest in Sure Strategy, as a result of the Counter Indemnity.

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

### **5. Financial effects of the Proposed Connected Transaction**

Based on our discussion with the management of the Company, we are advised that the Proposed Connected Transaction will increase the Group's contingent liabilities by approximately HK\$164.8 million, which represented approximately 3.0% of the audited consolidated net assets value of the Group as at 31 March 2015 based on the 2015 Annual 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.

On the other hand, the Company expects that there will not be any significant adverse impact on the consolidated financial statements of the Company even in the event that FG International defaults the payment of any of the Facilities utilised as FG International will remain be 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:

- (i) FG International contributed majority portion of revenue in the Group's garment product segment, from which the Group has been continuously benefited;
- (ii) there were occasions that the Existing Facilities were highly utilised and the provision of Guarantees is a condition to the granting of the Facilities which will grant a higher combined limit to FG International in addition to the Existing Facilities;
- (iii) FG International is financially sound and had no bad debt or record of default in payment in the last three financial years ended 31 March 2015; and
- (iv) the contingent liabilities of the Group in respect of its obligations under the Guarantees are, to a certain extent, mitigated by the Counter Indemnity provided by Merlotte Enterprise,

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## LETTER FROM HALCYON CAPITAL

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we consider that, notwithstanding that the Guarantees would exceed the Company's indirect proportionate shareholding interest in FG International, taking into account the Counter Indemnity provided by Merlotte Enterprise in respect of its indirect equity interest in FG International, the Proposed Connected Transaction is considered to be entered into on normal and commercial terms, in the ordinary and usual course of business of the Group and 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 resolution to be proposed at the SGM to approve the Guarantees.

Yours faithfully,  
For and on behalf of  
**Halcyon Capital Limited**  
**April Chan**  
*Director*

*Note:* Ms. April Chan is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Halcyon Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

## 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' 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 which 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 contained in Appendix 10 to the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

(i) *Directors' and chief executives' interests and short positions in Shares and underlying Shares*

| Name of Director | The Company/<br>name of<br>associated<br>corporation | Capacity              | Interest in<br>shares<br>(Note 1)     | Interest in<br>underlying<br>shares of<br>share options<br>(Note 1) | Approximate<br>% of the<br>relevant class<br>of issued share<br>capital of the<br>Company/<br>associated<br>corporation |
|------------------|--|-----------------------|---------------------------------------|---|---|
| Li Ming Hung     | The Company  | Founder of a<br>trust | 428,488,000<br>Shares (L)<br>(Note 2) | –   | 22.98%<br>(Note 26)   |
|                  | The Company  | Beneficial<br>owner   | –                                     | 1,200,000<br>Shares (L)<br>(Note 4)                                 | 0.06%   |

# APPENDIX

# GENERAL INFORMATION

| Name of Director | The Company/<br>name of<br>associated<br>corporation | Capacity              | Interest in<br>shares<br>(Note 1)  | Interest in<br>underlying<br>shares of<br>share options<br>(Note 1) | Approximate<br>% of the<br>relevant class<br>of issued share<br>capital of the<br>Company/<br>associated<br>corporation |
|------------------|--|-----------------------|--|---|---|
|                  | Victory City<br>Company<br>Limited<br>(Note 23)      | Beneficial<br>owner   | 4,000,000<br>non-voting<br>deferred shares<br>of HK\$1.00<br>each (L)                | –   | 50%   |
|                  | Victory City<br>Overseas<br>Limited<br>(Note 23)     | Beneficial<br>owner   | 1,300<br>redeemable<br>non-voting<br>preference<br>shares of<br>US\$1.00 each<br>(L) | –   | 39.4%   |
| Chen Tien Tui    | The Company  | Founder of a<br>trust | 428,488,000<br>Shares (L)<br>(Note 3)  | –   | 22.98%<br>(Note 26)   |
|                  | The Company  | Beneficial<br>owner   | 2,250,000<br>Shares (L)  | –   | 0.12%   |
|                  | The Company  | Beneficial<br>owner   | –  | 1,200,000<br>Shares (L)<br>(Note 4)                                 | 0.06%   |
|                  | Victory City<br>Company<br>Limited<br>(Note 23)      | Beneficial<br>owner   | 4,000,000<br>non-voting<br>deferred shares<br>of HK\$1.00<br>each (L)                | –   | 50%   |
|                  | Victory City<br>Overseas<br>Limited<br>(Note 23)     | Beneficial<br>owner   | 1,300<br>redeemable<br>non-voting<br>preference<br>shares of<br>US\$1.00 each<br>(L) | –   | 39.4%   |

# APPENDIX

# GENERAL INFORMATION

| Name of Director | The Company/<br>name of<br>associated<br>corporation | Capacity                                 | Interest in<br>shares<br>(Note 1)   | Interest in<br>underlying<br>shares of<br>share options<br>(Note 1) | Approximate<br>% of the<br>relevant class<br>of issued share<br>capital of the<br>Company/<br>associated<br>corporation |
|------------------|--|--|---|---|---|
| Mr. Choi         | The Company  | Beneficial owner                         | 8,500,000<br>Shares (L)   | –   | 0.46%   |
|                  | The Company  | Beneficial owner                         | –   | 12,000,000<br>Shares (L)<br>(Note 5)                                | 0.64%   |
|                  | Victory City<br>Overseas<br>Limited<br>(Note 23)     | Beneficial owner                         | 700 redeemable<br>non-voting<br>preference<br>shares of<br>US\$1.00 each<br>(L) | –   | 21.2%   |
|                  | Sure Strategy<br>Limited<br>(Note 23)                | Interest of<br>controlled<br>corporation | 49 ordinary<br>shares of<br>US\$1.00 each<br>(L) (Note 6)                       | –   | 49%   |
|                  | FG Holdings<br>(Note 23)                             | Interest of<br>controlled<br>corporation | 100 ordinary<br>shares of<br>US\$1.00 each<br>(L) (Note 7)                      | –   | 100%  |
|                  | Brilliant Fashion<br>Inc. (Note 23)                  | Interest of<br>controlled<br>corporation | 100 common<br>shares of no<br>par value (L)<br>(Note 12)                        | –   | 100%  |
|                  | FG International<br>(Note 23)                        | Interest of<br>controlled<br>corporation | 5,000,000<br>ordinary shares<br>of HK\$1.00<br>each (L)<br>(Note 13)            | –   | 100%  |
|                  | Glory Time<br>Limited<br>(Note 23)                   | Interest of<br>controlled<br>corporation | 70 ordinary<br>shares of<br>HK\$1.00 each<br>(L) (Note 14)                      | –   | 70%   |
|                  | Mayer Apparel<br>Limited<br>(Note 23)                | Interest of<br>controlled<br>corporation | 51 ordinary<br>shares of<br>HK\$1.00 each<br>(L) (Note 11)                      | –   | 51%   |

# APPENDIX

# GENERAL INFORMATION

| Name of Director | The Company/<br>name of<br>associated<br>corporation                            | Capacity                                 | Interest in<br>shares<br>(Note 1)                                  | Interest in<br>underlying<br>shares of<br>share options<br>(Note 1) | Approximate<br>% of the<br>relevant class<br>of issued share<br>capital of the<br>Company/<br>associated<br>corporation |
|------------------|---|--|--|---|---|
|                  | PT. Victory<br>Apparel<br>Semarang<br>(Note 23)                                 | Interest of<br>controlled<br>corporation | 300,000<br>ordinary shares<br>of US\$1.00<br>each (L)<br>(Note 10) | –   | 100%  |
|                  | Surefaith Limited<br>(Note 23)  | Interest of<br>controlled<br>corporation | 10 ordinary<br>shares of<br>US\$1.00 each<br>(L) (Note 13)         | –   | 100%  |
|                  | Value Plus<br>(Macao<br>Commercial<br>Offshore)<br>Limited<br>(Note 23)         | Interest of<br>controlled<br>corporation | Quota capital<br>of<br>MOP100,000<br>(L) (Note 15)                 | –   | 100%  |
|                  | Victory Apparel<br>(Jordan)<br>Manufacturing<br>Company<br>Limited<br>(Note 23) | Interest of<br>controlled<br>corporation | 50,000 ordinary<br>shares of<br>JD1.00 each<br>(L) (Note 9)        | –   | 100%  |
|                  | Wealth Choice<br>Limited<br>(Note 23)   | Interest of<br>controlled<br>corporation | 10 ordinary<br>shares of<br>US\$1.00 each<br>(L) (Note 13)         | –   | 100%  |
|                  | 福之源貿易(上海)<br>有限公司<br>(Notes 23)   | Interest of<br>controlled<br>corporation | Registered<br>capital of<br>RMB1,000,000<br>(L) (Note 8)           | –   | 100%  |
|                  | Gojifashion Inc.<br>(Note 24)   | Interest of<br>controlled<br>corporation | 100 common<br>shares of no<br>par value (L)<br>(Note 12)           | –   | 50%   |
|                  | Happy Noble<br>Holdings<br>Limited<br>(Note 23)                                 | Interest of<br>controlled<br>corporation | 70 ordinary<br>shares of<br>US\$1.00 each<br>(L) (Note 13)         | –   | 70%   |



# APPENDIX

# GENERAL INFORMATION

| Name of Director | The Company/<br>name of<br>associated<br>corporation                        | Capacity                                 | Interest in<br>shares<br>(Note 1)                                   | Interest in<br>underlying<br>shares of<br>share options<br>(Note 1) | Approximate<br>% of the<br>relevant class<br>of issued share<br>capital of the<br>Company/<br>associated<br>corporation |
|------------------|---|--|---|---|---|
|                  | Sky Winner<br>Investment<br>Limited<br>(Note 23)                            | Interest of<br>controlled<br>corporation | 100 ordinary<br>shares of<br>HK\$1.00 each<br>(L) (Note 16)         | –   | 100%  |
|                  | 福源創業信息諮詢<br>服務(深圳)有限<br>公司 (Note 23)  | Interest of<br>controlled<br>corporation | Registered<br>capital of<br>HK\$3,000,000<br>(L) (Note 8)           | –   | 100%  |
|                  | Rocwide Limited<br>(Note 23)  | Interest of<br>controlled<br>corporation | 10 ordinary<br>shares of<br>US\$1.00 each<br>(L) (Note 13)          | –   | 100%  |
|                  | Jiangmen<br>V-Apparel<br>Manufacturing<br>Ltd. (Note 23)                    | Interest of<br>controlled<br>corporation | Registered<br>capital of<br>HK\$31,260,000<br>(L) (Note 17)         | –   | 100%  |
|                  | One Sino<br>Limited<br>(Note 23)  | Interest of<br>controlled<br>corporation | 100 ordinary<br>shares of<br>US\$1.00 each<br>(L) (Note 13)         | –   | 100%  |
|                  | Ford Glory<br>(Cambodia)<br>Manufacturing<br>Limited<br>(Note 23)           | Interest of<br>controlled<br>corporation | Registered<br>capital of<br>US\$1,000,000<br>(L) (Note 18)          | –   | 100%  |
|                  | 藝田貿易(上海)<br>有限公司<br>(Note 23)   | Interest of<br>controlled<br>corporation | Registered<br>capital of<br>HK\$5,000,000<br>(L) (Note 19)          | –   | 100%  |
|                  | Global Trend<br>Investments<br>Limited<br>(Note 23)                         | Interest of<br>controlled<br>corporation | 1,100,000<br>ordinary shares<br>of US\$1.00<br>each (L)<br>(Note 9) | –   | 100%  |
|                  | Jerash Garments<br>& Fashions<br>Manufacturing<br>Company Ltd.<br>(Note 23) | Interest of<br>controlled<br>corporation | 50,000 ordinary<br>shares of<br>JD1.00 each<br>(L) (Note 20)        | –   | 100%  |

| Name of Director | The Company/<br>name of<br>associated<br>corporation                     | Capacity                           | Interest in<br>shares<br>(Note 1)                   | Interest in<br>underlying<br>shares of<br>share options<br>(Note 1) | Approximate<br>% of the<br>relevant class<br>of issued share<br>capital of the<br>Company/<br>associated<br>corporation |
|------------------|--|------------------------------------|---|---|---|
|                  | Talent Partner Holdings Limited<br>(Note 23)                             | Interest of controlled corporation | 51 ordinary shares of US\$1.00 each (L) (Note 21)   | –   | 51%   |
|                  | Green Expert Global Limited<br>(Note 23)                                 | Interest of controlled corporation | 1 ordinary share of US\$1.00 each (L) (Note 22)     | –   | 100%  |
|                  | Major Time Limited<br>(Note 23)  | Interest of controlled corporation | 1 ordinary share of HK\$1.00 each (L) (Note 22)     | –   | 100%  |
|                  | Just Perfect Holdings Limited<br>(Note 23)                               | Interest of controlled corporation | 10 ordinary shares of US\$1.00 each (L) (Note 13)   | –   | 100%  |
|                  | Chinese Garments and Fashions Manufacturing Company Limited<br>(Note 23) | Interest of controlled corporation | 50,000 ordinary shares of JD1.00 each (L) (Note 25) | –   | 100%  |
|                  | Jerash for Industrial Embroidery Company Limited<br>(Note 23)            | Interest of controlled corporation | 50,000 ordinary shares of JD1.00 each (L) (Note 25) | –   | 100%  |

| Name of Director       | The Company/<br>name of<br>associated<br>corporation | Capacity            | Interest in<br>shares<br>(Note 1) | Interest in<br>underlying<br>shares of<br>share options<br>(Note 1) | Approximate<br>% of the<br>relevant class<br>of issued share<br>capital of the<br>Company/<br>associated<br>corporation |
|------------------------|--|---------------------|-----------------------------------|---|---|
| Lee Yuen Chiu,<br>Andy | The Company  | Beneficial<br>owner | –                                 | 5,000,000<br>Shares (L)<br>(Note 5)                                 | 0.27%   |
| Phaisalakani<br>Vichai | The Company  | Beneficial<br>owner | 584,000 Shares<br>(L)             | –   | 0.03%   |

*Notes:*

1. The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporations.
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 Ming Hung’s family members.
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 Tien Tui’s family members.
4. On 2 April 2012, each of Mr. Li Ming Hung and Mr. Chen Tien Tui 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.
5. On 2 April 2012, each of Mr. Choi Lin Hung 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.
6. These shares were held by Merlotte Enterprise. Sure Strategy Limited was owned as to 49% by Merlotte Enterprise, a company wholly-owned by Mr. Choi, and as to 51% owned by Victory City Investments Limited (“Victory City Investments”), a wholly-owned subsidiary of the Company.
7. These ordinary shares were held by Sure Strategy Limited.
8. This registered capital was beneficially owned by FG International, which is a wholly-owned subsidiary of FG Holdings.
9. These shares were beneficially owned by Wealth Choice Limited, which is a wholly-owned subsidiary of FG Holdings.
10. These shares were beneficially owned by Surefaith Limited, which is a wholly-owned subsidiary of FG Holdings.
11. Mayer Apparel Limited is 51% owned by FG Holdings.

12. These common shares were beneficially owned by FG Holdings.
13. These shares were beneficially owned by FG Holdings.
14. Glory Time Limited is 70% owned by FG Holdings.
15. This quota capital was beneficially owned by FG Holdings.
16. These shares were held by Happy Noble Holdings Limited.
17. The registered capital was beneficially owned as to 40% by FG Holdings and as to 60% by Rocwide Limited.
18. This registered capital was held by One Sino Limited.
19. This registered capital was beneficially owned by Sky Winner Investment Limited.
20. These shares were held by Global Trend Investments Limited.
21. Talent Partner Holdings Limited is 51% owned by FG Holdings.
22. This ordinary share was beneficially owned by Talent Partner Holdings Limited.
23. These companies are subsidiaries of the Company.
24. Although Gojifashion Inc. is not a subsidiary of the Company, it is an associated corporation (within the meaning of Part XV of the SFO) of the Company.
25. These shares were held by Jerash Garments & Fashions Manufacturing Company Ltd..
26. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately hold over 30% of the voting share capital of the Company, which complied under the condition of syndicated loan.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and 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/entity                 | Number of Shares<br>(Note 1) | Capacity                                       | Approximate<br>percentage<br>of interest |
|---------------------------------------|------------------------------|--|--|
| Pearl Garden Pacific Limited          | 428,488,000 (L)              | Beneficial owner<br>(Note 2)                   | 22.98%                                   |
| Cornice Worldwide Limited             | 428,488,000 (L)              | Interest of controlled<br>corporation (Note 2) | 22.98%                                   |
| Madian Star Limited                   | 428,488,000 (L)              | Beneficial owner<br>(Note 3)                   | 22.98%                                   |
| Yonice Limited                        | 428,488,000 (L)              | Interest of controlled<br>corporation (Note 3) | 22.98%                                   |
| Fiducia Suisse SA                     | 856,976,000 (L)              | Trustee (Notes 2 & 3)                          | 45.97%                                   |
| David Henry Christopher Hill          | 856,976,000 (L)              | Interest of controlled<br>corporation (Note 6) | 45.97%                                   |
| Rebecca Ann Hill                      | 856,976,000 (L)              | Interest of spouse<br>(Note 7)                 | 45.97%                                   |
| Ho Yuen Mui, Shirley                  | 429,688,000 (L)              | Interest of spouse<br>(Note 4)                 | 23.05%                                   |
| Or Kwai Ying                          | 431,938,000 (L)              | Interest of spouse<br>(Note 5)                 | 23.17%                                   |
| Templeton Asset Management<br>Limited | 259,602,623 (L)              | Investment manager                             | 13.93%                                   |
| Delta Lloyd Asset<br>Management NV    | 130,388,463 (L)              | Investment manager                             | 6.99%                                    |

*Notes:*

1. The letter "L" represents the person's or entity's interests in the Shares and underlying 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 Ming Hung's family members. Mr. Chen Tien Tui 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 Tien Tui's family members. Mr. Li Ming Hung is a director of Madian Star Limited and Yonice Limited.
4. Ms. Ho Yuen Mui, Shirley is the wife of Mr. Li Ming Hung.
5. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.
6. These Shares were held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members and Mr. Chen Tien Tui's family members. Fiducia Suisse SA is wholly-owned by Mr. David Henry Christopher Hill.
7. Ms. Rebecca Ann Hill is the wife of Mr. 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/or underlying Shares (including interest in options, if any) 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 close 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, 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 2015, being the date to which the latest published audited financial statements of the Company were made up.

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) an agreement dated 28 February 2014 (the "Facility Agreement") entered into by, among others, Victory City Company Limited (the "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 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 (at the conversion rate of US\$1.00 = HK\$7.75)) 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;
- (ii) the agreement dated 14 March 2014 entered into between Unitech Enterprises Group Limited as purchaser, and Sure Strategy Limited, Merlotte Enterprise and Victory City Investments as vendors, in relation to the sale and purchase of 320,000,000 ordinary shares in Highlight China IoT International Limited, a company incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange (stock code: 1682, formerly known as Ford Glory Group Holdings Limited) as disclosed in the announcement and circular of the Company dated 7 May 2014 and 18 June 2014 respectively; and
- (iii) the agreement dated 14 March 2014 entered into between Highlight China IoT International Limited and Sure Strategy Limited in relation to the sale and purchase of the entire issued share capital of FG Holdings, as disclosed in the announcement and circular of the Company dated 7 May 2014 and 18 June 2014 respectively.

**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 2015, 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 its opinion or advice contained in this Circular:

| <b>Name</b>     | <b>Qualification</b>   |
|-----------------|--|
| Halcyon Capital | A licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activity under the SFO |

- (i) 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.
- (ii) 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 2015, 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.
- (iii) 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 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, HM11, Bermuda.
- (ii) The branch share registrar of the Company 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 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 during normal business hours on any weekday other than public holidays, from the date of this Circular up to and including the date of the SGM:

- (i) the BA-Facilities;
- (ii) the BA-Guarantee;
- (iii) the IBT-Facilities;
- (iv) the IBT-Guarantee;
- (v) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 9 to 10 of this Circular;
- (vi) the written consent of Halcyon Capital referred to in the paragraph headed "8. Qualification and consent of expert" in this appendix;
- (vii) the letter from Halcyon Capital, the text of which is set out on pages 11 to 18 of this Circular; and
- (viii) this Circular.

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## NOTICE OF THE SGM

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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)**

### 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 15 September 2015 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following ordinary resolution:

#### ORDINARY RESOLUTION

1. “**THAT** (i) the guarantee not exceeding the aggregate amount equivalent to HK\$71,200,000 and a further sum for all accrued interest, cost, charges and expenses incurred by Industrial Bank of Taiwan Co., Ltd. (“**IBT**”) to be provided by the Company in favour of IBT to secure the trade and treasury facilities of up to HK\$71,200,000 offered by IBT to Ford Glory International Limited (“**FG International**”); and (ii) the guarantee limited to US\$12,000,000 and further interest, charges and expenses incurred by Bank of America, N.A. (“**BA**”), to be provided by the Company in favour of BA to secure the trade facilities of up to US\$7,000,000 offered by BA to FG International, be and are 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 transactions 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, 27 August 2015

\* For identification purposes only

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## NOTICE OF THE SGM

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*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 offices 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. 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.
5. A form of proxy for use at the SGM is enclosed with the circular to the Shareholders.
6. The ordinary resolution set out above will be determined by way of a 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.