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 advisers.

If you have sold or transferred all your shares in the Company, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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) CONNECTED TRANSACTION: PROPOSED AMENDMENT TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS; (2) APPLICATION FOR WHITEWASH WAIVER; AND (3) NOTICE OF THE SGM

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

Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this circular shall have the same meanings as defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 30 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 31 to 32 of this circular. A letter from the Independent Financial Adviser containing its recommendation and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 42 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 Friday, 11 August 2017 at 10:00 a.m. or any adjournment thereof is set out on pages 150 to 152 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting (i.e. 10:00 a.m. on Wednesday, 9 August 2017, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

* *For identification purposes only*

24 July 2017

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

"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"Announcement"	the announcement of the Company dated 25 April 2017 in relation to, among other things, the Subscriptions and the Existing Whitewash Waiver
"Approved Professional Adviser"	an independent firm of merchant bank or audit firm of international repute in the opinion of the Company appointed in accordance with the provisions of the instrument constituting the Convertible Bonds
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors from time to time
"Bondholder(s)"	a person in whose name a Convertible Bond is registered in the register of Bondholders, and "holder" in relation to a Convertible Bond has a corresponding meaning
"Business Day"	a day (other than a Saturday, Sunday or statutory holiday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which licensed banks in Hong Kong are generally open for ordinary banking business throughout their normal business hours
"BVI"	the British Virgin Islands
"Circular"	the circular of the Company dated 13 June 2017 in relation to, among others, the issue of the Convertible Bonds and the application of the Existing Whitewash Waiver
"Company"	Victory City International Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Subscriptions which shall take place on the Completion Date
"Completion Date"	the fifth Business Day following the date on which the conditions precedent set out in the Subscription Agreement are fulfilled (or such other date as the Company and the Subscribers may agree in writing)

"Concert Group"	the Subscribers, their ultimate beneficial owners and parties acting in concert with any of them, including but not limited to Mr. Li and Mr. Chen
"connected person(s)"	the meaning ascribed thereto in the Listing Rules
"Controlling Shareholders"	Mr. Chen, Mr. Li, Pearl Garden and Madian Star
"Conversion Price"	the conversion price per Conversion Share at which Conversion Shares will be issued upon exercise of the conversion rights attaching to the Convertible Bonds, being initially HK$0.30 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the Convertible Bonds
"Conversion Share(s)"	new Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds
"Convertible Bonds"	the HK$400,000,000 five (5) per cent. convertible bonds due 2019 to be issued by the Company to the Subscribers
"Director(s)"	director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Existing Whitewash Waiver"	a waiver granted by the Executive on 27 June 2017 pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscribers to make a mandatory general offer for all the securities of the Company not already owned or acquired by the Subscribers and parties acting in concert with any of them under Rule 26 of the Takeovers Code which would otherwise arise as a result of the issue of Conversion Shares to the Subscribers pursuant to the conversion of the Convertible Bonds in accordance with the terms of the Subscription Agreement (prior to the entering into the Supplemental Deed)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent board committee of the Board established by the Board, comprising all the independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Supplemental Deed and the New Whitewash Waiver and as to voting at the SGM
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders with regard to the Proposed Amendment and the New Whitewash Waiver
"Independent Shareholders"	Shareholders, other than the Concert Group, Mr. Choi Lin Hung, Mr. Phaisalakani Vichai and those parties who are involved or interested in the Proposed Amendment and/or the New Whitewash Waiver
"Issue Date"	the date of first issue of the Convertible Bonds
"Last Trading Day"	10 July 2017, being the last trading day for the Shares before the entering into of the Supplemental Deed
"Latest Practicable Date"	21 July 2017, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Committee"	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	24 October 2017 or such other date as the Company and the Subscribers shall agree in writing
"Madian Star"	Madian Star Limited, an investment holding company incorporated in the BVI with limited liability, and 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, being one of the Subscribers under the Subscription Agreement
"Maturity Date"	second anniversary of the date of issuance of the Convertible Bonds

"Mr. Chen"	Mr. Chen Tien Tui, an executive Director
"Mr. Li"	Mr. Li Ming Hung, an executive Director
"New Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscribers to make a mandatory general offer for all the securities of the Company not already owned or acquired by the Subscribers and parties acting in concert with any of them under Rule 26 of the Takeovers Code which would otherwise arise as a result of the issue of Conversion Shares to the Subscribers pursuant to the conversion of the Convertible Bonds in accordance with the terms of the Subscription Agreement (as amended by the Supplemental Deed)
"Pearl Garden"	Pearl Garden Pacific Limited, an investment holding company incorporated in the BVI with limited liability, and 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, being one of the Subscribers under the Subscription Agreement
"PRC"	the People's Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of PRC and Taiwan
"Proposed Amendment"	the proposed amendment of changing the conversion period of the Convertible Bonds commencing from the Business Day immediately following the first anniversary of the Issue Date to commencing from the Issue Date pursuant to the Supplemental Deed
"Public Float Requirement"	the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the Shares which are listed on the Stock Exchange shall be held by the public for the purpose of the Listing Rules
"Relevant Period"	the period commencing from 25 October 2016, being six months prior to the date of the Announcement (that is, 25 April 2017), and up to and including the Latest Practicable Date
"Rights Issue"	the rights issue of the Company completed on 6 January 2017
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	a special general meeting of the Company convened and to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on Friday, 11 August 2017 at 10:00 a.m. to consider and, if thought fit, approve, among other matters, the Supplemental Deed, the transactions contemplated thereunder and the New Whitewash Waiver (or any adjournment thereof)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Options"	the share options granted by the Company pursuant to the share option scheme adopted on 15 March 2011 which give holders thereof the rights to subscribe the Shares at the exercise price determined in accordance with the rules of the share option scheme
"Shareholder(s)"	holder(s) of the issued Share(s)
"Specific Mandate"	the specific mandate which has been granted to the Directors by the Independent Shareholders at the special general meeting of the Company held on 30 June 2017 to allot and issue the Conversion Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	Pearl Garden and Madian Star, being the subscribers under the Subscription Agreement
"Subscriptions"	the subscriptions of the Convertible Bonds pursuant to the terms of the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 25 April 2017 (as amended by the Supplemental Deed) and entered into among the Company and the Subscribers in relation to the Subscriptions
"substantial Shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Supplemental Deed"	the supplemental deed dated 10 July 2017 and entered into between the Company and the Subscribers in relation to the Proposed Amendment
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"%"	per cent.

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

Independent non-executive Directors:
Kan Ka Hon
Phaisalakani Vichai
Kwok Sze Chi

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

24 July 2017

To the Shareholders, and for information purpose only, holders of the Share Options

Dear Sirs,

(1) CONNECTED TRANSACTION: PROPOSED AMENDMENT TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

Reference is made to the Announcement, the announcement of the Company dated 30 June 2017 and the Circular in relation to, among others, the issue of the Convertible Bonds and the application of the Existing Whitewash Waiver.

* *For identification purposes only*

As at the Latest Practicable Date, the issue of the Convertible Bonds and the application of the Existing Whitewash Waiver have been approved by the Independent Shareholders and the Executive has granted the Existing Whitewash Waiver. Completion is still subject to the fulfillment or waiver (as the case may be) of the other conditions set out under the sub-paragraph headed "Conditions precedent" under the paragraph headed "The Subscription Agreement" in the Circular.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Proposed Amendment and the New Whitewash Waiver; (ii) the letter of recommendation from the Independent Board Committee in relation to the Proposed Amendment and the New Whitewash Waiver; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders regarding the Proposed Amendment and the New Whitewash Waiver; and (iv) the notice of SGM.

THE SUPPLEMENTAL DEED

As disclosed in the announcement of the Company dated 10 July 2017, the Company and the Subscribers entered into the Supplemental Deed on 10 July 2017 pursuant to which the Company and the Subscribers conditionally agreed to change the conversion period of the Convertible Bonds from commencing from the Business Day immediately following the first anniversary of the Issue Date to commencing from the Issue Date. All other terms of the Convertible Bonds shall remain unchanged and valid.

The Supplemental Deed is conditional upon the following conditions:

(a) completion of the Subscription Agreement;

(b) obtaining of all necessary Independent Shareholders' approval of the Company (as required), among other matters, approving the Supplemental Deed, transactions contemplated thereunder and the New Whitewash Waiver in compliance with the applicable requirements under the Listing Rules and Takeovers Code;

(c) the Executive or any delegate of the Executive having granted the New Whitewash Waiver pursuant to the Takeovers Code and the satisfaction of any condition attached to the New Whitewash Waiver, and the New Whitewash Waiver not being revoked; and

(d) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Shares to be issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds as amended by the Proposed Amendment.

None of the above conditions are waivable. **If any of the conditions above are not fulfilled by the Longstop Date, the parties to the Supplemental Deed will not be bound to proceed with the transactions contemplated under the Supplemental Deed and the Supplemental Deed will cease to have any effect. In such case, the Convertible Bonds will**

be issued under the existing terms and conditions without the Proposed Amendment under the Existing Whitewash Waiver. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

In the event (i) the Independent Shareholders do not approve the Proposed Amendment and/or the New Whitewash Waiver; or (ii) other conditions precedent under the Supplemental Deed are not fulfilled, the Company and the Subscribers will proceed with the original terms of the Convertible Bonds (without the Proposed Amendment) and the Existing Whitewash Waiver.

Set out below are the major terms of the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

Date: 25 April 2017

Parties:

Issuer: The Company

The Subscribers: (1) Pearl Garden Pacific Limited; and

(2) Madian Star Limited

The Convertible Bonds will be subscribed by the Subscribers in the following proportion:

Subscriber	**Amount** *(HK$)*	**Number of Conversion Shares (subject to adjustment)**
Pearl Garden	200,000,000	666,666,667
Madian Star	200,000,000	666,666,667
Total	400,000,000	1,333,333,334

Pearl Garden is an investment holding company incorporated in the BVI whose issued share capital 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. As at the Latest Practicable Date, Pearl Garden is a substantial Shareholder of the Company and, accordingly, Pearl Garden is a connected person under the Listing Rules.

Madian Star is an investment holding company incorporated in the BVI whose issued share capital 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. As at the Latest Practicable Date, Madian Star is a substantial Shareholder of the Company and, accordingly, Madian Star is a connected person under the Listing Rules.

As at the Latest Practicable Date, the Subscribers were interested in 1,285,464,000 Shares in aggregate, representing approximately 30.65% of the entire issued share capital of the Company. Upon full conversion of the Convertible Bonds, the Subscribers will be interested in 2,618,797,334 Shares in aggregate, representing approximately 47.38% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the date of full conversion of the Convertible Bonds).

Subject matter

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK$400,000,000 on the Completion Date.

Conditions precedent

The subscription by the Subscribers of the Convertible Bonds is conditional upon the following conditions being fulfilled (or waived, if applicable) at or before 5:00 p.m. on the Longstop Date:

(1) the Listing Committee having granted listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds;

(2) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before Completion and none of the warranties set out in the Subscription Agreement having been breached by the Company in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;

(3) the Board approving and authorising the execution and completion of the Subscription Agreement and the instrument constituting the Convertible Bonds, the creation and issue of the Convertible Bonds and the allotment and issue of the Conversion Shares on the exercise of the conversion rights attaching to the Convertible Bonds;

(4) the Executive or any delegate of the Executive having granted the Existing Whitewash Waiver pursuant to the Takeovers Code and the satisfaction of any condition attached to the Existing Whitewash Waiver, and the Existing Whitewash Waiver not being revoked; and

(5) the passing of all necessary Independent Shareholders' approval of the Company (as required), among other matters, regarding the issue of the Convertible Bonds, authorising the Board to allot and issue the Conversion Shares upon the exercise of Conversion Rights attaching to the Convertible Bonds and the Existing Whitewash Waiver in compliance with the applicable requirements under the Listing Rules and Takeovers Code.

The Subscribers may, at their discretion and upon such terms as they think fit, waive compliance with the condition (2) set out above. As at the Latest Practicable Date, the issue of the Convertible Bonds and the application of the Existing Whitewash Waiver have been approved by the Independent Shareholders and the Executive has granted the Existing Whitewash Waiver. Save for conditions (1) and (2) as set out above, all the conditions have been fulfilled as at the Latest Practicable Date.

Completion

Completion will take place on the Completion Date after the fulfillment or waiver (as the case may be) of the conditions set out in the Subscription Agreement and the Supplemental Deed.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The current principal terms of the Convertible Bonds have been summarised in the Announcement and the Circular. Please refer to the Announcement and the Circular for details. Apart from the Proposed Amendment, all other terms of the Convertible Bonds remain unchanged and valid. A summary of the principal terms of the Convertible Bonds as adjusted by the Proposed Amendment is as follows:

Issuer:	The Company
Principal amount:	HK$400,000,000
Issue price:	100% of the principal amount of the Convertible Bonds
Interest rate:	5% per annum on the outstanding principal amount of the Convertible Bonds, which shall be payable in arrears on 30 June and 31 December of each year from the Issue Date until the Maturity Date.
Maturity Date:	The date falling 24 months after the Issue Date or, if that is not a Business Day, the first Business Day thereafter.
Status:	The Convertible Bonds will (subject to any obligations preferred by mandatory provisions of law) rank *pari passu* with all other present and future direct, unconditional and unsubordinated obligations of the Company.

Conversion right: Subject as provided in the terms of the Convertible Bonds, the Convertible Bonds are convertible in whole or in part into new Shares any time during the period commencing from the Issue Date, at the Conversion Price, subject to adjustment in accordance with the terms of the Convertible Bonds. Any conversion shall be made in amounts of not less than a whole multiple of HK$1,000,000 and no fraction of a Share shall be issued on conversion.

If the issue of Conversion Shares following the exercise by a Bondholder of the conversion rights attaching to the Convertible Bonds held by such Bondholder would result in:

(i) such Bondholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, directly or indirectly (i) controlling or being interested in 30% or more of the entire issued voting share capital of the Company (or such other percentage as may from to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer) as at the date of conversion; or (ii) exceeding 2% creeper rule under Rule 26.1 of the Takeovers Code within any 12 month period from a holding of voting rights of between 30% and 50% and a mandatory general offer obligation will be triggered under the Takeovers Code, unless either (i) such Bondholder and parties acting in concert with it comply with the Takeovers Code and make a general offer to acquire for all the Shares not already owned by them; or (ii) a whitewash waiver to waive the requirement for such Bondholder and parties acting in concert with it to make the mandatory general offer is approved by the Independent Shareholders and is granted by the Executive before the date of completion of the conversion; or

(ii) a mandatory general offer obligation being triggered under the Takeovers Code in respect of any other Shareholder and the parties acting in concert with it (within the meaning of the Takeovers Code), unless either (i) such Shareholder and parties acting in concert with it comply with the Takeovers Code and make a general offer to acquire for all the Shares not already owned by them; or (ii) a whitewash waiver to waive the requirement for such Shareholder and parties acting in concert with it to make the mandatory general offer is approved by the Independent Shareholders and is granted by the Executive before the date of completion of the conversion; or

(iii) any of the Controlling Shareholders and the parties acting in concert with it (within the meaning of the Takeovers Code), taken together, (i) directly or indirectly, controlling or being interested in less than 30% of the entire issued voting share capital of the Company (or such other percentage as may from time to time specified in the Takeovers Code as being the level falling below which any further acquisition of voting rights of the Company by such Controlling Shareholder and parties acting in concert with it would trigger a mandatory general offer obligation on part of such Controlling Shareholder and parties acting in concert with it under the Takeovers Code); or (ii) would cease to be a Controlling Shareholder under the Listing Rules (the "**Controlling Shareholder's Shareholding Level Requirement**"); or

(iv) the Company not meeting the Public Float Requirement immediately after the conversion, then the number of Conversion Shares to be issued pursuant to such conversion shall be limited to the maximum number of Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement or a breach of the Controlling Shareholder's Shareholding Level Requirement or mandatory general offer being triggered under the Takeovers Code (as the case may be) and the balance of the conversion rights attaching to the Convertible Bonds which the Bondholder sought to convert shall be suspended until such time when the Company is able to issue additional Shares in satisfaction of the exercise of the said balance of conversion rights attaching to the Convertible Bonds and at the same time comply with the Public Float Requirement or without triggering a mandatory general offer under the Takeovers Code or breach the Controlling Shareholder's Shareholding Level Requirement (as the case may be) or the general offer is made by such Bondholder or Shareholder and parties acting in concert with it respectively or a whitewash waiver is approved and granted (as the case may be) as set out above (the "**Takeovers Code and Listing Rules Implications Condition**").

Conversion period: The holder(s) of the Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares for the period commencing from the Issue Date up to 4:00 p.m. on the Maturity Date.

Conversion Price: The Conversion Price is initially HK$0.30 per Conversion Share, subject to adjustment provisions as summarised below.

Comparison of Conversion Price: The Conversion Price of HK$0.30 per Conversion Share represents:

(i) a premium of approximately 11.11% over the closing price of the Shares of HK$0.270 per Share as quoted on the Stock Exchange on 25 April 2017 (being the date of entering into the Subscription Agreement);

(ii) a premium of approximately 13.21% over the closing price of the Shares of HK$0.265 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 11.94% over the average closing price of the Shares of approximately HK$0.268 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 5.63% over the average closing price of the Shares of approximately HK$0.284 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(v) a premium of approximately 11.11% over the closing price of the Shares of HK$0.270 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a discount of approximately 78.10% to the audited consolidated net asset value per Share of approximately HK$1.37 as at 31 March 2017, calculated based on the Group's audited consolidated net assets of approximately HK$5,757.3 million as at 31 March 2017 and the 4,193,744,205 Shares in issue as at the Latest Practicable Date;

(vii) a discount of approximately 80.52% to the adjusted audited consolidated net asset value per Share of approximately HK$1.54, calculated based on the Group's adjusted audited consolidated net assets of approximately HK$6,469.7 million, which represents the sum of the Group's audited consolidated net assets of approximately HK$5,757.3 million as at 31 March 2017 and the excess of approximately HK$712.4 million of the market value of the Group's properties of approximately HK$1,165.4 million as at 30 April 2017 as shown in the valuation report set out in Appendix II to this circular (after taking into account of approximately HK$223.1 million for the portion of the property the Group held in the PRC which the valuation report did not attribute value to) over the fair value of such properties of approximately HK$453.0 million as recognised in the audited consolidated financial statements as at 31 March 2017, divided by 4,193,744,205 Shares in issue as at the Latest Practicable Date.

Adjustments to Conversion Price:	The Conversion Price may be adjusted in the event of any alteration in the capital structure of the Company whether arising by reason of a capitalisation of profits or reserves, rights issue or other offer of securities to holder of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of the Company), consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever except where any such event is specifically exempted under the terms and conditions of the Convertible Bonds, including but not limited to any issue or grant of Shares, options or other securities of the Company or any of its subsidiaries wholly or partly convertible into, or rights to acquire, Shares to the Directors or employees of the Company or any of its subsidiaries or their personal representatives pursuant to an employee share scheme of the Company or any of its subsidiaries.

In any such alteration in the capital structure of the Company, the Company shall prior to the Conversion Date instruct an Approved Professional Adviser to consider whether any adjustment should be made to the Conversion Price in order to fairly and appropriately reflect the relative interests of the Company and the Bondholder(s). The Directors shall make an adjustment to the Conversion Price in such manner as an Approved Professional Adviser certifies to be, in its opinion, appropriate.

Further provisions in relation to adjustment to Conversion Price:

(1) Where more than one event gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that the Approved Professional Adviser considers in good faith that the operation of the above provisions would need to be subject to some modification in order to give the intended commercial result, such modification shall be made to the operation of the above provisions as may be advised by the Approved Professional Adviser, acting as an expert, to be in their opinion appropriate in order to give such intended result.

(2) No adjustment will be made to the Conversion Price (i) where Shares are allotted or issued pursuant to any exercise of the Conversion Rights or (ii) upon any issue or grant of Shares, options or other securities of the Group wholly or partly convertible into, or rights to acquire, Shares to directors or employees of the Group or their personal representatives pursuant to an employee share scheme of the Group.

(3) No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares.

Conversion Shares to be issued under the Convertible Bonds: The number of Shares to be issued upon conversion of the Convertible Bonds shall be determined by dividing the principal amount of the relevant Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.

Upon exercise of the conversion rights under the Convertible Bonds in full at the initial Conversion Price of HK$0.30 per Conversion Share, a total of 1,333,333,334 Conversion Shares will be issued, representing:

(i) approximately 31.79% of the issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 24.12% of the issued share capital of the Company as enlarged by the issue of Conversion Shares.

Redemption upon maturity: Any Convertible Bond which remains outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be redeemed by the Company at a redemption amount equal to the principal amount of the outstanding Convertible Bonds together with interest accrued thereon.

Redemption by the Company: The Company may at any time during the period commencing from the Issue Date and expiring on the Maturity Date redeem the whole or part of the outstanding Convertible Bonds by giving the Bondholders not less than seven Business Days' prior notice at the redemption amount which is 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with interest accrued until payment in full.

Redemption by the Bondholders	Each Bondholder will have the unconditional right at any time during the period commencing from the Issue Date and expiring on the Maturity Date to require the Company to redeem the whole or part of the outstanding Convertible Bonds by giving the Company not less than 60 days prior notice at the redemption amount which is 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with interest accrued to the relevant date of redemption.
Redemption upon event of default:	Upon the occurrence of an event of default as described below and at any time thereafter, each of the Bondholders may, unless such event of default has been waived in writing by it, by notice in writing ("**Default Redemption Notice**") requires the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds at the redemption amount provided in the instrument constituting the Convertible Bonds whereupon such sum shall become due and payable in the manner provided in the instrument constituting the Convertible Bonds on the Business Day falling after seven Business Days of the date of such notice.
Voting rights:	The Convertible Bonds shall not confer on the Bondholder(s) the right to vote at any general meetings of the Company.
Listing:	No application has been or will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.
Transferability:	Subject to the satisfaction of warranties stipulated in the instrument constituting the Convertible Bonds (or, if capable of being remedied, has been remedied) and subject to the Company's prior written consent, the Convertible Bonds may be transferred to any person in whole multiples of HK$1,000,000 (or such lesser amount as may represent the entire principal amount thereof). A transfer shall be effected by delivery of a certificate issued in the name of the Bondholder issued in respect of that Convertible Bond, with an instrument of transfer duly completed and signed by both the transferor and the transferee. No transfer of title to any Convertible Bond will be effective unless and until entered on the register of Bondholders. Subject to the Listing Rules, the Convertible Bonds may not be transferred to connected persons of the Company.

Events of default:

If, among others, any of the following events occurs, the holders of the Convertible Bonds may give notice to the Company that the Convertible Bonds are immediately due and payable at their principal amount together with interest accrued:

(1) **Payment default:** a default is made in the payment of interest due on the Convertible Bonds when due and such default shall not have been cured by payment by the Company within 15 days after the due date; or

(2) **Other default:** a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the instrument constituting the Convertible Bonds or in the Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal, premium (if any) and interest in respect of any of the Convertible Bonds) and such default continues for the period of 14 days next following the service by any holder of the Convertible Bonds on the Company of notice specifying brief details of such default and requiring such default to be remedied; or

(3) **Breach of Subscription Agreement:** a material breach of any of the terms of the Subscription Agreement, including a breach of any warranty therein which is not discovered until after the issue and delivery of the Convertible Bonds; or

(4) **Dissolution of the Company and Disposals:** a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an ordinary resolution of holders of the Convertible Bonds; or

(5) **Encumbrances:** an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company; or

(6) **Distress etc.:** a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the assets or undertaking or property of the Company and is not discharged within seven days thereof; or

(7) **Trading suspension and delisting:** if the Shares are suspended by the Stock Exchange for a period of 90 consecutive trading days or listing of the Shares on the Stock Exchange are being revoked or withdrawn; or

(8) **Insufficient share capital:** save and except where otherwise provided, if there is not a sufficient number of Shares available for the fulfilment of the obligations regarding the conversion of the Convertible Bonds.

Undertakings by the Company:

The Company has covenanted to the Bondholder, among other things, that so long as any Convertible Bonds remains outstanding:

(i) it will notify the Bondholders in writing immediately upon becoming aware of the occurrence of any event of default;

(ii) it will send to the Bondholders as soon as reasonably practicable and in any event within five (5) days after being so requested in writing by any Bondholders a certificate of the Company signed by any two of its directors on behalf of the Company setting out, based on the register of Bondholders maintained by or on behalf of the Company, the total number of Convertible Bonds which, at the date of such certificate, were held by or on behalf of the Company or its subsidiaries and which had not been cancelled;

(iii) it will comply with and perform and observe all the provisions of the instrument constituting the Convertible Bonds which are expressed to be binding on it;

(iv) upon the exercise of any conversion rights attached to the Convertible Bonds pursuant to the conditions set out in the instrument constituting Convertible Bonds, it will allot the number of Shares in respect of which conversion rights are exercised subject to and in accordance with such conditions; and

(v) it will ensure that all Shares allotted pursuant to an exercise of the conversion rights attached to the Convertible Bonds shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant registration date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares after the relevant registration date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant registration date and notice of the amount and record date for which shall have been given to the Stock Exchange, and the Bondholders prior to the relevant registration date and, for this purpose, the notice to the Bondholders may take the form of sending a copy of the relevant announcement published on the Stock Exchange to them; and

(vi) it will at all times use its reasonable endeavours to ensure that the minimum public shareholding requirement of the Listing Rules is complied with.

REASONS FOR THE SUPPLEMENTAL DEED

The one-year restriction in exercising the conversion rights attached to the Convertible Bonds as set out in the Subscription Agreement was agreed between the Company and the Subscribers with the intention not to impose any immediate dilution impact on existing shareholdings of the Shareholder(s). Upon further consideration of the terms of the Convertible Bonds by the Subscribers, although the Subscribers may or may not exercise the conversion rights attached to the Convertible Bonds within the first year of issue, the Subscribers prefer to have more flexibility in exercise the conversion rights attached to the Convertible Bonds. Therefore, upon initiation by the Subscribers and further negotiation between the Company and the Subscribers, the Directors agreed to the Proposed Amendment after taking into account (i) the Proposed Amendment can alleviate the Company's burden in paying interest on the outstanding principal amount of the Convertible Bonds in the event the Bondholder(s) elects to exercise the conversion rights attached to the Convertible Bonds within the first year of issue, which will bring positive effect to the cash flow position of the Company; and (ii) the long established shareholding relationship of and continuing support from the Subscribers since the founding of the Company.

As the possible benefits of the Proposed Amendment may save interest of up to a maximum of HK$20 million (i.e. the principal amount of Convertible Bonds of HK$400 million × 5% interest rate per annum) on the outstanding principal amount of the Convertible Bonds for the Company, the Directors (excluding the independent non-executive Directors who have expressed their view in the letter from the Independent Board

Committee in this circular) consider that the possible benefits outweigh the costs relating to the Proposed Amendment (including printing costs and professional fees) and therefore the Proposed Amendment is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

Although the Proposed Amendment may lead to immediate dilution effect to the shareholding interests of the Shareholders, having considered (i) the possible benefits of the Proposed Amendment as mentioned above, in particular the amount of interest saved; (ii) the Proposed Amendment may not actually lead to an immediate dilution effect of the shareholding interests of the Shareholders given that as at the Latest Practicable Date, the Subscribers did not indicate their current intention to convert any part of the Convertible Bonds within the first year of issue; and (iii) in the event the conversion rights attached to the Convertible Bonds are exercised within the first year, it can enlarge and strengthen the Company's capital base as well as improving the net asset value of the Group upon conversion of the Convertible Bonds at an earlier stage within the first year of issue, the Directors (excluding the independent non-executive Directors who have expressed their view in the letter from the Independent Board Committee in this circular) consider that the potential dilution effect is justified, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Subscribers did not indicate their current intention to convert any part of the Convertible Bonds within the first year of issue or transfer any part of the Convertible Bonds within the first year of issue.

The Proposed Amendment is arrived at after arm's length negotiation between the Company and the Subscribers. The Directors (excluding the independent non-executive Directors who have expressed their view in the letter from the Independent Board Committee in this circular) consider that the terms and conditions of the Supplemental Deed are fair and reasonable, and the Proposed Amendment is in the interests of the Company and the Shareholders as a whole.

If the Proposed Amendment is not approved or the New Whitewash Waiver is not approved or not granted, the Company will issue the Convertible Bonds in accordance with their existing terms (without the Proposed Amendment) and the Existing Whitewash Waiver.

USE OF PROCEEDS

As disclosed in the Announcement and the Circular, the Board has resolved to withhold the plan to develop fabric manufacturing business in Vietnam for the time being and reallocate (i) the remaining net proceeds of approximately HK$128.5 million from the placing completed on 17 May 2016; (ii) the net proceeds of approximately HK$344.5 million from the Rights Issue; and (iii) the net proceeds of approximately HK$397 million from the issue of the Convertible Bonds, totalling approximately HK$870 million in the following manner:

(i) as to approximately HK$80 million for construction of new warehouses with an area of approximately 15,000 m^2 for storage of raw materials and inventories in Xinhui, the PRC, which is expected to complete in early 2018;

(ii) as to approximately HK$70 million for upgrading the wastewater treatment plant in Xinhui, the PRC, which, upon completion, is expected to enhance its daily treatment capacity from 20,000 tonnes to 32,000 tonnes. The upgrading is expected to complete by 2018;

(iii) as to approximately HK$60 million for upgrading existing production lines in Xinhui, the PRC, by adopting a more advanced automatic system, which is expected to enhance the production capacity by 15% and complete in early 2018;

(iv) as to approximately HK$25 million for modifying existing production facilities in Xinhui, the PRC, to accommodate the use of natural gas as an environmental-protection and energy saving initiative, which is expected to complete in late 2017;

(v) as to approximately HK$35 million for acquiring new dyeing tanks in Xinhui, the PRC, which is expected to enhance the dyeing capacity by 10%. Installation of the new dyeing tanks is expected to complete in late 2017;

(vi) as to approximately HK$50 million for acquiring new production facilities for the Group's existing synthetic fabric manufacturing, which is expected to enhance the production capacity by 20%. Installation of the facilities is expected to complete by 2018;

(vii) as to approximately HK$200 million for establishing new printing production facilities in Xinhui, the PRC (with approximately HK$50 million to the establish the new printing production plant and approximately HK$150 million to acquire necessary equipments), which is expected to be able to produce 2.5 million pounds of printing fabric annually and complete by late 2018; and

(viii)as to approximately HK$250 million for as general working capital of the Group (with approximately HK$150 million to purchase inventories and approximately HK$100 million to pay rental expenses, salaries and remuneration).

The remaining of such proceeds of approximately HK$100 million will be utilised to further expand the Group's production efficiencies and production capacity for synthetic fabric segment by pursuing appropriate acquisition opportunities in Taiwan and/or the PRC through acquiring technology or production plant. As at the Latest Practicable Date, the Company has not identified any potential investment and acquisition targets. The Board considers that the above change in use of proceeds will improve efficiency and effectiveness of its deployment which is advantageous to the development of the Group.

Please refer to the Circular for further details in relation to the use of proceeds.

INFORMATION OF THE GROUP

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

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Apart from the fund raising activities set out below, the Company had not conducted any other fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement/ circular	Event	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
8 November 2016, 12 December 2016 and 5 January 2017	Rights Issue	HK$344.5 million	For the establishment of new production facilities for fabric manufacturing in Vietnam and further expansion of the Group's synthetic fabric production by pursuing appropriate acquisition opportunities in Taiwan and/or the PRC through acquiring technology or production plant.	Please refer to the paragraph headed "Use of proceeds" above and the Circular for details.

MANDATE TO ISSUE THE CONVERSION SHARES

The Subscription Agreement and the transactions contemplated thereunder, including the issue and allotment of the Conversion Shares under the Specific Mandate of the Company, which has been approved by the Independent Shareholders at the special general meeting held on 30 June 2017. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION OF THE CONCERT GROUP

Pearl Garden, one of the Subscribers, is an investment holding company incorporated in the BVI with limited liability and 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. As at the Latest Practicable Date, Pearl Garden is interested in 642,732,000 Shares (representing approximately 15.33% of the total issued share capital of the Company).

Cornice Worldwide Limited is an investment holding company incorporated in the BVI with limited liability.

Mr. Li is the Chairman of the Company and a co-founder of the Group. He has over 40 years experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group.

Madian Star, one of the Subscribers, is an investment holding company incorporated in the BVI with limited liability and 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. As at the Latest Practicable Date, Madian Star is interested in 642,732,000 Shares (representing approximately 15.33% of the total issued share capital of the Company).

Yonice Limited is an investment holding company incorporated in the BVI with limited liability.

Mr. Chen is the Chief Executive Officer of the Company and a co-founder of the Group. He has over 38 years experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group.

Both Mr. Li and Mr. Chen are parties acting in concert with the Subscribers. Apart from the interest in the Company held by Pearl Garden and Madian Star, Mr. Chen is directly interested in 3,375,000 Shares (representing approximately 0.08% of the total issued share capital of the Company) as at the Latest Practicable Date. The Concert Group in aggregate are interested in 1,288,839,000 Shares (representing approximately 30.74% of the entire issue share capital of the Company) as at the Latest Practicable Date.

INTENTION OF THE SUBSCRIBERS

It is the intention of the Subscribers that the Group will continue its current business, and the Subscribers have no intention or concrete plans for any acquisition or disposal of assets and/or business by the Group and has no intention to (i) discontinue the employment of any employees of the Group or change the composition of the Board; (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full conversion of the Convertible Bonds (on the assumptions that the Convertible Bonds are converted at the initial Conversion Price being HK$0.30 per Conversion Share and there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds) is as follows:

	As at the Latest Practicable Date		**Upon full conversion of the Convertible Bonds**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Subscribers and parties acting in concert with any of them				
Pearl Garden *(Note 1)*	642,732,000	15.33	1,309,398,667	23.69
Madian Star *(Note 2)*	642,732,000	15.33	1,309,398,667	23.69
Mr. Chen *(Note 3)*	3,375,000	0.08	3,375,000	0.06
Sub-total of the Concert Group	1,288,839,000	30.74	2,622,172,334	47.44
Directors				
Mr. Choi Lin Hung *(Note 3)*	12,750,000	0.30	12,750,000	0.23
Mr. Phaisalakani Vichai *(Note 4)*	1,236,000	0.03	1,236,000	0.02
Other public Shareholders	2,890,919,205	68.93	2,890,919,205	52.31
Total:	4,193,744,205	100.00	5,527,077,539	100.00

Notes:

1. These Shares were held by Pearl Garden. Pearl Garden 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, an executive Director.

2. These Shares were held by Madian Star. Madian Star 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, an executive Director.

3. Each of Mr. Chen and Mr. Choi Lin Hung is an executive Director. Mr. Choi Lin Hung was involved in the Subscriptions and the Proposed Amendment and will abstain from voting at the relevant ordinary resolutions to be proposed at the SGM to approve the Proposed Amendment and the New Whitewash Waiver.

4. Mr. Phaisalakani Vichai is an independent non-executive Director. Mr. Phaisalakani Vichai was involved in the Subscriptions and the Proposed Amendment and will abstain from voting at the relevant ordinary resolutions to be proposed at the SGM to approve the Proposed Amendment and the New Whitewash Waiver.

IMPLICATIONS UNDER THE LISTING RULES

Pearl Garden (being one of the Subscribers) is a substantial shareholder of the Company, holding 642,732,000 Shares (representing approximately 15.33% of the total issued share capital of the Company) as at the Latest Practicable Date. Accordingly, Pearl Garden is a connected person of the Company under Chapter 14A of the Listing Rules.

Madian Star (being one of the Subscribers) is a substantial shareholder of the Company, holding 642,732,000 Shares (representing approximately 15.33% of the total issued share capital of the Company) as at the Latest Practicable Date. Accordingly, Madian Star is a connected person of the Company under Chapter 14A of the Listing Rules.

Therefore, the entering into the Supplemental Deed with the Subscribers constitutes a connected transaction for the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. The Concert Group, which in aggregate are interested in 1,288,839,000 Shares (representing approximately 30.74% of the entire issue share capital of the Company) as at the Latest Practicable Date, shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Proposed Amendment. To the best of the Directors' information, belief and knowledge, save for the Concert Group, no other parties have any material interest which is different from other Shareholders in relation to the Supplemental Deed.

A Board committee comprising Mr. Choi Lin Hung and Mr. Lee Yuen Chiu Andy has approved the Supplemental Deed, transactions contemplated thereunder and the New Whitewash Waiver.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Application for the New Whitewash Waiver

As at the Latest Practicable Date, the Concert Group in aggregate are interested in 1,288,839,000 Shares, representing approximately 30.74% of the entire issued share capital of the Company.

The number of Conversion Shares to be issued upon full conversion of the Convertible Bonds after the Proposed Amendment remains unchanged. Assuming the Convertible Bonds are converted in full at the initial Conversion Price of HK$0.30 per Conversion Share and there is no other change in the issued share capital of the Company from the date of the Supplemental Deed and up to Completion, the Concert Group will be interested in 2,622,172,334 Shares, which in aggregate representing approximately 47.44% of the issued share capital of the Company as enlarged by the issuance of the Conversion Shares.

Accordingly, the Subscribers would, unless a new waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive, be obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Subscribers pursuant to Rule 26.1 of the Takeovers Code as a result of the issue of Conversion Shares pursuant to the proposed conversion of the Convertible Bonds (as amended by the Proposed Amendment) in full. **If the Proposed Amendment is not approved or the New Whitewash Waiver is not approved or not granted, the Company will issue the Convertible Bonds in accordance with their existing terms (without the Proposed Amendment) and the Existing Whitewash Waiver.**

An application has been made to the Executive for the New Whitewash Waiver, the granting of which will be conditional upon, among other things, the approval of the Independent Shareholders of the proposed resolution regarding the New Whitewash Waiver by way of poll at the SGM.

As the Concert Group, which in aggregate holds approximately 30.74% of the issued share capital of the Company as at the Latest Practicable Date, is interested and/or involved in the Subscriptions, it will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Proposed Amendment and the New Whitewash Waiver. In addition, Mr. Choi Lin Hung (an executive Director), who holds approximately 0.30% of the issued share capital of the Company as at the Latest Practicable Date, and Mr. Phaisalakani Vichai (an independent non-executive Director), who holds approximately 0.03% of the issued share capital of the Company as at the Latest Practicable Date, were involved in the Subscriptions and the Proposed Amendment, and will also abstain from voting at the relevant ordinary resolutions to be proposed at the SGM to approve the Proposed Amendment and the New Whitewash Waiver.

As at the Latest Practicable Date, the Company does not believe that the Subscriptions as amended by the Proposed Amendment give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the publication of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the New Whitewash Waiver if the Subscriptions as amended by the Proposed Amendment do not comply with other applicable rules and regulations.

Further information on the Concert Group

As at the Latest Practicable Date:

a. save as disclosed under the paragraph headed "Effect on the shareholding structure" in this circular and the paragraphs headed "Share capital and Share Options" and "Disclosure of interests" in Appendix III to this circular, none of the members of the Concert Group owns or has control or direction over any existing Shares, rights over Shares, convertible securities, warrants, options or derivatives in respect of the Shares;

b. save for taking up the respective pro rata entitlement of 214,244,000 Shares by Pearl Garden, 214,244,000 Shares by Madian Star and 1,125,000 Shares by Mr. Chen under the Rights Issue, none of the members of the Concert Group has any dealings in any securities of the Company in the Relevant Period;

c. none of the members of the Concert Group has received any irrevocable commitment to vote for or against the proposed resolution approving the Proposed Amendment or the New Whitewash Waiver at the SGM;

d. there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or shares of the Subscribers which may be material to the Proposed Amendment or the New Whitewash Waiver;

e. there is no arrangement or agreement to which any member of the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposed Amendment or the New Whitewash Waiver; and

f. there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any member of the Concert Group has borrowed or lent.

SGM

The SGM will be held at to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Supplemental Deed and the transactions contemplated thereunder; and (ii) the New Whitewash Waiver. The resolutions in relation to the Supplemental Deed and the New Whitewash Waiver at the SGM will be voted on by the Independent Shareholders by way of poll.

As the Concert Group, which in aggregate holds approximately 30.74% of the issued share capital of the Company as at the Latest Practicable Date, is interested and/or involved in the Proposed Amendment, it will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Proposed Amendment and the New Whitewash Waiver. In addition, Mr. Choi Lin Hung (an executive Director), who holds approximately 0.30% of the issued share capital of the Company as at the Latest Practicable Date, and Mr. Phaisalakani Vichai (an independent non-executive Director), who holds approximately 0.03% of the issued share capital of the Company as at the Latest Practicable Date, were involved in the Subscriptions and the Proposed Amendment and will also abstain from voting at the relevant ordinary resolutions to be proposed at the SGM to approve the Proposed Amendment and the New Whitewash Waiver.

Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the SGM will be on Monday, 7 August 2017. In order to be eligible to attend and vote at the SGM, all transfers of shares, accompanied by the relevant share certificate(s), must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 7 August 2017.

The 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 Friday, 11 August 2017 at 10:00 a.m. is set out on pages 150 to 152 of this circular.

A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM (i.e. 10:00 a.m. on Wednesday, 9 August 2017, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Supplemental Deed, transactions contemplated thereunder and the New Whitewash Waiver; and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Supplemental Deed, transactions contemplated thereunder and the New Whitewash Waiver.

The Board including the Independent Board Committee after taking the advice of the Independent Financial Adviser considers that while the Supplemental Deed and the transactions contemplated thereunder are not in the ordinary course of business of the Company, the terms of the Supplemental Deed, transactions contemplated thereunder and the New Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and has entered into on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, and recommends that the Independent Shareholders vote in favour of the resolutions relating thereto at the SGM.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendix to this circular and the notice of the SGM.

Warnings: the Subscriptions and the Proposed Amendment are subject to the fulfilment or waiver (as the case may be) of a number of conditions, including but not limited to approval of the Proposed Amendment and the New Whitewash Waiver by the Independent Shareholders at the SGM, and the granting of the New Whitewash Waiver by the Executive. As such, the Subscriptions and/or the Proposed Amendment may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours faithfully
For and on behalf of the Board
Victory City International Holdings Limited
Li Ming Hung
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Supplemental Deed, transactions contemplated thereunder and the New Whitewash Waiver, for the purpose of inclusion in this circular.

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 539)

24 July 2017

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION: PROPOSED AMENDMENT TO THE TERMS AND CONDITIONS OF CONVERTIBLE BONDS; AND (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular issued by the Company dated 24 July 2017 (the "**Current Circular**") to the Shareholders of which this letter forms part. Unless otherwise specified, terms defined in the Current Circular shall have the same meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders in respect of the terms of the Supplemental Deed, transactions contemplated thereunder and the New Whitewash Waiver, details of which are set out in the "Letter from the Board" contained in the Current Circular. Gram Capital has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons from Gram Capital has taken into consideration in giving such advice, are set out in the "Letter from Gram Capital" in the Current Circular. Your attention is also drawn to the "Letter from the Board" in the Current Circular and the additional information as set out in the appendix thereto.

* *For identification purposes only*

Having considered the principal factors and reasons and the advice of the Gram Capital as set out in the letter from Gram Capital, we consider that the terms of the Supplemental Deed, transactions contemplated thereunder and the New Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and has entered into on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend that you vote in favour of the resolutions to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

Kan Ka Hon	**Phaisalakani Vichai**	**Kwok Sze Chi**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendment and the New Whitewash Wavier for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

24 July 2017

To: The independent board committee and the independent shareholders of Victory City International Holdings Limited

Dear Sir/Madam,

(1) CONNECTED TRANSACTION: PROPOSED AMENDMENT TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS; AND (2) APPLICATION FOR WHITEWASH WAVIER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendment and the New Whitewash Wavier, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 24 July 2017 issued by the Company to the Shareholders (the "**New Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the New Circular unless the context requires otherwise.

Reference is made to (i) the Announcement; (ii) the announcement of the Company dated 30 June 2017 in relation to the poll results of the Company's special general meeting held on 30 June 2017 and grant of the Whitewash Waiver; and (iii) the Circular in relation to, among others, the issue of the Convertible Bonds and the application of the Existing Whitewash Waiver.

As at the Latest Practicable Date, the issue of the Convertible Bonds and the application of the Existing Whitewash Waiver have been approved by the Independent Shareholders and the Executive has granted the Existing Whitewash Waiver. The Completion is still subject to the fulfilment or waiver (as the case may be) of the other conditions set out under the subparagraph headed "Conditions precedent" under the paragraph headed "The Subscription Agreement" in the Circular.

The Company and the Subscribers entered into the Supplemental Deed on 10 July 2017 pursuant to which the Company and the Subscribers conditionally agreed to change the conversion period of the Conversion Bonds from commencing from the Business Day immediately following the first anniversary of the Issue Date to commencing from the Issue Date. All other terms of the Convertible Bonds shall remain unchanged and valid.

With reference to the Board Letter, the entering into the Supplemental Deed with the Subscribers constitutes a connected transaction for the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM.

In addition, the Subscribers would, unless a new waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive, be obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Subscribers pursuant to Rule 26.1 of the Takeovers Code as a result of the issue of Conversion Shares pursuant to the proposed conversion of the Convertible Bonds (as amended by the Proposed Amendment) in full. In the event (i) the Independent Shareholders do not approve the Proposed Amendment and/or the New Whitewash Waiver; or (ii) other conditions precedent under the Supplemental Deed are not fulfilled, the Company and the Subscribers will proceed with the original terms of the Convertible Bonds (without the Proposed Amendment) and the Existing Whitewash Waiver. An application has been made to the Executive for the New Whitewash Waiver, the granting of which will be conditional upon, among other things, the approval of the Independent Shareholders of the proposed resolution regarding the New Whitewash Waiver by way of poll at the SGM.

The Independent Board Committee comprising, Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Proposed Amendment is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; (iii) whether the New Whitewash Waiver is in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolutions to approve the Supplemental Deed and the New Whitewash Wavier at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE

Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser (i.e. Gram Capital) contained in the Circular dated 13 June 2017 in relation to, among others, the issue of the Convertible Bonds and the application of the Existing Whitewash Waiver. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram

Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committees and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the New Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the New Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the New Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/ or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/ arrangement or implied understanding with anyone concerning the Subscriptions, the Proposed Amendment and the Existing/New Whitewash Waiver. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix III to the New Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the New Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscribers, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposed Amendment and the New Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Amendment and the Whitewash Wavier, we have taken into consideration the following principal factors and reasons:

A. THE PROPOSED AMENDMENT

Information of the Group

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

Information on the Subscribers

With reference to the Board Letter, Pearl Garden is an investment holding company incorporated in the BVI whose issued share capital is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for the family of Mr. Li. As at the Latest Practicable Date, Pearl Garden is a substantial Shareholder and, accordingly, Pearl Garden is a connected person under the Listing Rules.

With reference to the Board Letter, Madian Star is an investment holding company incorporated in the BVI whose issued share capital is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for the family of Mr. Chen. As at the Latest Practicable Date, Madian Star is a substantial Shareholder and, accordingly, Madian Star is a connected person under the Listing Rules.

As at the Latest Practicable Date, the Concert Group were interested in 1,288,839,000 Shares in aggregate, representing approximately 30.74% of the entire issued share capital of the Company. Upon full conversion of the Convertible Bonds, the Concert Group will be interested in 2,622,172,334 Shares in aggregate, representing approximately 47.44% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the date of full conversion of the Convertible Bonds).

Reasons for the Supplemental Deed

With reference to the Board Letter, the one-year restriction in exercising the conversion rights attached to the Convertible Bonds as set out in the Subscription Agreement was agreed between the Company and the Subscribers with the intention not to impose any immediate dilution impact on existing shareholdings of the Shareholder(s). Upon further consideration of the terms of the Convertible Bonds by the Subscribers, although the Subscribers may or may not exercise the conversion rights attached to the Convertible Bonds within the first year of issue, the Subscribers prefer to have more flexibility in exercising the conversion rights attached to the Convertible Bonds. Therefore, upon initiation by the Subscribers and further negotiation between the Company and the Subscribers, the Directors agreed to the Proposed Amendment after taking into account (i) the Proposed Amendment can alleviate the Company's burden in paying interest on the outstanding principal amount of the Convertible Bonds in the event the Bondholder(s) elects to exercise the conversion rights attached to the Convertible Bonds within the first year of issue, which will bring positive effect to the cash flow position of the Company; and (ii) the long established shareholding relationship of and continuing support from the Subscribers since the founding of the Company.

Should the Proposed Amendment come into effect, the holder(s) of the Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares for the period commencing from the Issue Date up to 4:00 p.m. on the Maturity Date. Therefore, the Proposed Amendment may lead to immediate dilution effect (the "**Possible Immediate Dilution Effect**") to the shareholding interests of the existing Shareholders (shareholding interest of the existing public Shareholders will be diluted from approximately 68.93% as at the Latest Practicable Date to approximately 52.31% upon full conversion of the Convertible Bonds).

Nevertheless, having considered (i) the possible benefits of the Proposed Amendment as mentioned above, in particular that the Proposed Amendment may save interest of up to a maximum of HK$20 million (the "**Possible Interest Saving**", i.e. Principal amount of Convertible Bonds of HK$400 million x 5% interest rate per annum, assuming full conversion of the Convertible Bonds on the Issue Date) on the outstanding principal amount of the Convertible Bonds for the Company; and (ii) that the costs relating to the Proposed Amendment (including printing costs and professional fees) are not material as compared to the principal amount of the Convertible Bonds and the Possible Interest Saving, we concur with the Directors' view that, despite of the Possible Immediate Dilution Effect, the Proposed Amendment is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Convertible Bonds and the Supplemental Deed

On 10 July 2017 (after trading hours), the Company and the Subscribers entered into the Supplemental Deed pursuant to which the Company and the Subscribers conditionally agreed to change the conversion period of the Convertible Bonds from commencing from the Business Day immediately following the first anniversary of the Issue Date to commencing from the Issue Date.

The current principal terms of the Convertible Bonds have been summarised in the Announcement and the Circular. Please refer to the Announcement and the Circular for details. Save for the following amendment, all other terms of the Convertible Bonds remain unchanged and valid:

Conversion period:	The holder(s) of the Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares for the period commencing from the Issue Date up to 4:00 p.m. on the Maturity Date.

For the assessment on the Proposed Amendment, we have identified those subscription/placing of convertible bonds/notes under specific mandate which were announced by companies listed on the Stock Exchange from 1 May 2017 up to including the Latest Practicable Date (the "**Comparables**"). We consider that a sampling period of approximately three months is adequate and appropriate given that such period is sufficiently recent to demonstrate the prevailing market practices prior to and including the Last Practicable Date. We have searched over the website of the Stock Exchange, and to the best of our knowledge and as far as we are aware of, we found 9 transactions which met the said criteria and they are exhaustive. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables.

Company name	Stock code	Date of announcement	Maturity (Years)	Conversion period covers the entire term or most of the entire term of the convertible bonds/notes?
Larry Jewelry International Co. Ltd.	8351	16 May 2017	2	Yes Conversion period: The period commencing from the date of first issue of the convertible bonds up to and including the date falling on the seventh day immediately prior to the maturity date.
Larry Jewelry International Co. Ltd.	8351	16 May 2017	2	Yes Conversion period: The period commencing from the date of first issue of the convertible bonds up to and including the date falling on the seventh day immediately prior to the maturity date.
Code Agriculture (Holdings) Ltd.	8153	24 May 2017	3	Yes Conversion period: At any time from the date of issue until the maturity date.

Company name	Stock code	Date of announcement	Maturity (Years)	Conversion period covers the entire term or most of the entire term of the convertible bonds/notes?
Cash Financial Services Group Ltd.	510	26 May 2017	3	No Conversion period: The period commencing on the expiry of six months from the issue date and ending on, and including, 5:00 p.m. on the day which is five business days before the maturity date.
China Ocean Fishing Holdings Ltd.	8047	29 May 2017	2	Yes Conversion period: From the date of issue of the convertible bond till the fifth business day immediately preceding the maturity date.
China Eco-Farming Ltd.	8166	29 May 2017	2.5	No Conversion period: The period commencing on the first business day immediately after the first anniversary of the issue date of the convertible bonds and expiring on the maturity date (both days exclusive).
E-Commodities Holdings Ltd.	1733	2 June 2017	5	Yes Conversion period: The period commencing from the business day immediately following the issue date up to 4:00 p.m. on the maturity date.
Kiu Hung International Holdings Limited	381	14 June 2017	2	Yes Conversion period: From the date of the issue of the convertible notes up to and including the date which is three days prior to the maturity date.
PPS International (Holdings) Limited	8201	15 June 2017	1	Yes Conversion period: During the period commencing on the date of issue of the convertible bonds and ending on the maturity date.

Source: the Stock Exchange's website

We noted from the above table that the conversion period of the majority (i.e. 7 out of 9) of the Comparables covers the entire term or most of the entire term of the subject convertible bonds/notes. Upon the Proposed Amendment becoming effective, the conversion period of the Convertible Bonds shall cover the entire term of the convertible Bonds, which is in-line with the practices under the majority of the Comparables.

Having considered the above, we are of the view that the terms of the Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION ON THE PROPOSED AMENDMENT

Having taken into consideration the factors and reasons as stated above, in particular:

(i) the Proposed Amendment may save interest of up to a maximum of HK$20 million (i.e. Principal amount of Convertible Bonds of HK$400 million x 5% interest rate per annum, assuming full conversion of the Convertible Bonds on the Issue Date) on the outstanding principal amount of the Convertible Bonds for the Company; and

(ii) upon the Proposed Amendment becoming effective, the conversion period of the Convertible Bonds shall cover the entire term of the convertible Bonds, which is in-line with the practices under the majority (i.e. 7 out of 9) of the Comparables,

we are of the opinion that (i) the terms of the Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Amendment is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Supplemental Deed and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

B. THE NEW WHITEWASH WAIVER

As at the Latest Practicable Date, the Concert Group in aggregate are interested in 1,288,839,000 Shares, representing approximately 30.74% of the entire issued share capital of the Company.

The number of Conversion Shares to be issued upon full conversion of the Convertible Bonds after the Proposed Amendment remains unchanged. Assuming the Convertible Bonds are converted in full at the initial Conversion Price of HK$0.30 per Conversion Share and there is no other change in the issued share capital of the Company from the date of the Supplemental Deed and up to Completion, the Concert Group will be interested in 2,622,172,334 Shares, which in aggregate representing approximately 47.44% of the issued share capital of the Company as enlarged by the issuance of the Conversion Shares.

Accordingly, the Subscribers would, unless a new waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive, be obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Subscribers pursuant to Rule 26.1 of the Takeovers Code as a result of the issue of Conversion Shares pursuant to the proposed conversion of the Convertible Bonds (as amended by the Proposed Amendment) in full.

In the event (i) the Independent Shareholders do not approve the Proposed Amendment and/or the New Whitewash Waiver; or (ii) other conditions precedent under the Supplemental Deed are not fulfilled, the Company and the Subscribers will proceed with the original terms of the Convertible Bonds (without the Proposed Amendment) and the Existing Whitewash Waiver.

An application has been made to the Executive for the New Whitewash Waiver, the granting of which will be conditional upon, among other things, the approval of the Independent Shareholders of the proposed resolution regarding the New Whitewash Waiver by way of poll at the SGM.

Given that the Supplemental Deed is conditional upon, amongst other, the Executive or any delegate of the Executive having granted the New Whitewash Waiver pursuant to the Takeovers Code and the satisfaction of any condition attached to the New Whitewash Waiver, and the New Whitewash Waiver not being revoked, if the New Whitewash Waiver is not granted by the Executive, the Proposed Amendment will not proceed.

In view of (i) that the Proposed Amendment is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Supplemental Deed being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the New Whitewash Waiver, which is a prerequisite for the Supplemental Deed, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Proposed Amendment.

RECOMMENDATION ON THE NEW WHITEWASH WAIVER

Having taken into consideration the reasons for and possible benefits of the Proposed Amendment and that the Supplemental Deed is conditional upon, among other things, the Executive or any delegate of the Executive having granted the New Whitewash Waiver pursuant to the Takeovers Code and the satisfaction of any condition attached to the New Whitewash Waiver, and the New Whitewash Waiver not being revoked, we consider that the New Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the New Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three years ended 31 March 2015, 31 March 2016 and 31 March 2017 as extracted from the published annual reports of the Company.

	For the year ended 31 March		
	2015	**2016**	**2017**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Results			
Revenue	5,137,415	4,911,216	4,939,904
Cost of sales	(4,180,872)	(4,038,277)	(4,098,471)
Gross profit	956,543	872,939	841,433
Profit before tax	544,772	282,400	137,732
Income tax expense	(28,372)	(32,880)	(24,156)
Profit for the year	516,400	249,520	113,576
Profit/(loss) for the year attributable to:			
Owners of the Company	400,459	241,811	135,526
Non-controlling interests	115,941	7,709	(21,950)
	516,400	249,520	113,576
Earnings per share:			
Basic *(HK cents)*	22.6	11.9	4.5
Diluted *(HK cents)*	22.2	11.8	4.5
Dividend *(Note)*	220,689	115,070	0
Dividend per Share *(HK cents)* *(Note)*	12.0	5.0	0

Note: A total of dividend of HK12.0 cents per Share (comprising an interim dividend of HK5.0 cents per Share, a final dividend of HK3.0 cents per Share and a special dividend of HK4.0 cents per Share) was declared and distributed for the year ended 31 March 2015. A total of dividend of HK5.0 cents per Share (comprising an interim dividend of HK4.0 cents per Share and a final dividend of HK1.0 cent per Share) was declared and distributed for the year ended 31 March 2016. No dividend was declared for the six months ended 30 September 2016. No dividends were declared for the year ended 31 March 2017.

	As at 31 March		
	2015	2016	2017
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Non-current assets	3,629,584	4,014,913	4,142,665
Current assets	6,439,470	6,784,210	7,782,501
Total assets	10,069,054	10,799,123	11,925,166
Current liabilities	2,893,727	2,580,610	3,788,897
Non-current liabilities	1,661,240	2,603,915	2,379,006
Total liabilities	4,554,967	5,184,525	6,167,903
Net assets	5,514,087	5,614,598	5,757,263
Equity attributable to:			
Owners of the Company	5,369,399	5,460,564	5,700,109
Non-controlling interests	144,688	154,034	57,154
	5,514,087	5,614,598	5,757,263

The auditors of the Company for the three years ended 31 March 2017 were Deloitte Touche Tohmatsu. No modified or qualified opinion had been issued by Deloitte Touche Tohmatsu in respect of the consolidated financial statements of the Group for each of the three years ended 31 March 2017.

The Group did not have any items which are exceptional because of size, nature or incidence for each of the three years ended 31 March 2015, 31 March 2016 and 31 March 2017.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2017

Set out below is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2017 extracted from the annual report of the Company for the year ended 31 March 2017:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 *HK$'000*	2016 *HK$'000*
Revenue	5	4,939,904	4,911,216
Cost of sales		(4,098,471)	(4,038,277)
Gross profit		841,433	872,939
Other income		88,749	122,554
Other gains and losses	7	(127,458)	(38,658)
Distribution and selling expenses		(106,326)	(101,198)
General and administrative expenses		(414,251)	(432,840)
Equity-settled share-based payments	32	(21,246)	—
Finance costs	8	(143,019)	(140,397)
Gain on disposal of subsidiaries	31	19,850	—
Profit before taxation		137,732	282,400
Income tax expense	9	(24,156)	(32,880)
Profit for the year	10	113,576	249,520
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		(505,809)	(311,851)
Fair value change of an available-for-sale investment		320	(48)
Reclassification of translation reserve upon disposal of subsidiaries		9	—
		(505,480)	(311,899)
Item that will not be subsequently reclassified to profit or loss:			
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		4,789	6,320
Other comprehensive expense for the year		(500,691)	(305,579)
Total comprehensive expense for the year		(387,115)	(56,059)
Profit (loss) for the year attributable to:			
Owners of the Company		135,526	241,811
Non-controlling interests		(21,950)	7,709
		113,576	249,520
Total comprehensive (expense) income attributable to:			
Owners of the Company		(365,311)	(65,405)
Non-controlling interests		(21,804)	9,346
		(387,115)	(56,059)
Earnings per share	12		
Basic		HK4.5 cents	HK11.9 cents
Diluted		HK4.5 cents	HK11.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Note	**2017** *HK$'000*	**2016** *HK$'000*
Non-current assets			
Property, plant and equipment	13	3,693,182	3,530,629
Prepaid lease payments	14	188,018	193,322
Investment properties	15	154,656	164,657
Goodwill	16	6,185	6,614
Intangible asset	17	—	—
Interest in a joint venture	18	—	—
Restricted bank deposit	19	60,136	60,324
Deferred tax assets	33	4,197	2,433
Deposit paid for acquisition of property, plant and equipment		10,251	30,894
Other assets		26,040	26,040
		4,142,665	4,014,913
Current assets			
Inventories	20	2,991,234	2,767,820
Trade and bills receivables	21	1,855,728	1,720,070
Deposits, prepayments and other receivables	23	179,448	178,197
Prepaid lease payments	14	4,744	4,815
Derivative financial instrument	24	529	—
Available-for-sale investments	25	17,924	1,694
Taxation recoverable		7,804	526
Bank balances and cash	26	2,725,090	2,111,088
		7,782,501	6,784,210
Current liabilities			
Trade and bills payables	27	636,193	397,117
Other payables and accruals	28	163,757	134,597
Dividend payable		191	197
Taxation payable		74,187	72,794
Derivative financial instruments	24	155,124	126,782
Bank borrowings — amount due within one year	29	2,759,445	1,849,123
		3,788,897	2,580,610
Net current assets		3,993,604	4,203,600
Total assets less current liabilities		8,136,269	8,218,513
Capital and reserves			
Share capital	30	41,937	22,722
Reserves		5,658,172	5,437,842
Equity attributable to owners of the Company		5,700,109	5,460,564
Non-controlling interests		57,154	154,034
Total equity		5,757,263	5,614,598
Non-current liabilities			
Bank borrowings — amount due after one year	29	2,292,621	2,516,491
Deferred tax liabilities	33	86,385	87,424
		2,379,006	2,603,915
		8,136,269	8,218,513

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company												Attributable to non-controlling interests	Total
	Share capital	Share premium	Special reserve	Capital redemption reserve	Capital reserve	Translation reserve	Dividend reserve	Share option reserve	Investment revaluation reserve	Property revaluation reserve	Accumulated profits	Sub-total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 30)		*(note i)*		*(note ii)*									
At 1 April 2015	18,625	1,882,360	1,961	39	76,229	647,749	—	25,093	662	7,416	2,709,265	5,369,399	144,688	5,514,087
Profit for the year	—	—	—	—	—	—	—	—	—	—	241,811	241,811	7,709	249,520
Exchange difference arising on translation of foreign operations	—	—	—	—	—	(310,603)	—	—	—	—	—	(310,603)	(1,248)	(311,851)
Fair value change of available-for-sale investment	—	—	—	—	—	—	—	—	(48)	—	—	(48)	—	(48)
Fair value adjustment of investment property reclassified from property, plant and equipment, net of related deferred taxation *(Note 15)*	—	—	—	—	—	—	—	—	—	3,435	—	3,435	2,885	6,320
Total comprehensive income for the year	—	—	—	—	—	(310,603)	—	—	(48)	3,435	241,811	(65,405)	9,346	(56,059)
2015 Final dividend declared *(Note 11)*	—	—	—	—	—	—	55,938	—	—	—	(55,938)	—	—	—
2015 Special dividend declared *(Note 11)*	—	—	—	—	—	—	74,585	—	—	—	(74,585)	—	—	—
2016 Interim dividend declared *(Note 11)*	—	—	—	—	—	—	87,348	—	—	—	(87,348)	—	—	—
Issue of shares under scrip dividend scheme for 2015 final dividend	151	15,341	—	—	—	—	(15,492)	—	—	—	—	—	—	—
Issue of shares under scrip dividend scheme for 2015 special dividend	170	17,272	—	—	—	—	(17,442)	—	—	—	—	—	—	—
Issue of shares under scrip dividend scheme for 2016 interim dividend	25	1,851	—	—	—	—	(1,876)	—	—	—	—	—	—	—
Dividends paid in cash	—	—	—	—	—	—	(183,061)	—	—	—	—	(183,061)	—	(183,061)
Issue of shares upon exercise of share options	26	2,570	—	—	—	—	—	(601)	—	—	—	1,995	—	1,995
Issue of shares upon subscription of shares, net of related transaction costs *(Note 30)*	3,725	333,911	—	—	—	—	—	—	—	—	—	337,636	—	337,636
At 31 March 2016	22,722	2,253,305	1,961	39	76,229	337,146	—	24,492	614	10,851	2,733,205	5,460,564	154,034	5,614,598
Profit for the year	—	—	—	—	—	—	—	—	—	—	135,526	135,526	(21,950)	113,576
Exchange difference arising on translation of foreign operations	—	—	—	—	—	(503,608)	—	—	—	—	—	(503,608)	(2,201)	(505,809)
Reclassification of translation reserve upon disposal of subsidiaries *(Note 31)*	—	—	—	—	—	9	—	—	—	—	—	9	—	9
Fair value change of available-for-sale investment	—	—	—	—	—	—	—	—	320	—	—	320	—	320
Fair value adjustment of investment property reclassified from property, plant and equipment *(Note 15)*	—	—	—	—	—	—	—	—	—	2,442	—	2,442	2,347	4,789
Total comprehensive income for the year	—	—	—	—	—	(503,599)	—	—	320	2,442	135,526	(365,311)	(21,804)	(387,115)
2016 Final dividend declared *(Note 11)*	—	—	—	—	—	—	27,722	—	—	—	(27,722)	—	—	—
Issue of shares under scrip dividend scheme for 2016 final dividend	236	7,096	—	—	—	—	(7,332)	—	—	—	—	—	—	—
Dividends paid in cash	—	—	—	—	—	—	(20,390)	—	—	—	—	(20,390)	—	(20,390)
Recognition of equity-settled share-based payments *(Note 32)*	—	—	—	—	—	—	—	21,246	—	—	—	21,246	—	21,246
Rights issue *(Note 30)*	13,979	332,621	—	—	—	—	—	—	—	—	—	346,600	—	346,600
Issue of shares upon subscription of shares, net of related transaction costs *(Note 30)*	5,000	252,400	—	—	—	—	—	—	—	—	—	257,400	—	257,400
Disposal of subsidiaries *(Note 31)*	—	—	—	—	—	—	—	—	—	—	—	—	(75,076)	(75,076)
At 31 March 2017	41,937	2,845,422	1,961	39	76,229	(166,453)	—	45,738	934	13,293	2,841,009	5,700,109	57,154	5,757,263

notes:

(i) The Group accounts for changes in the Group's ownership interests in subsidiaries that do not result in change in control over those subsidiaries as equity transactions and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded in special reserve.

(ii) The capital reserve of the Group represents the difference between the nominal value of shares issued by the Company and the aggregate nominal value of the issued share capital of subsidiaries acquired pursuant to a previous group reorganisation, and as reduced by the amount arising from a subsequent capital reduction.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	**2017** *HK$'000*	**2016** *HK$'000*
OPERATING ACTIVITIES			
Profit before taxation		137,732	282,400
Adjustments for:			
Depreciation of property, plant and equipment		295,591	264,704
Interest on bank borrowings		143,019	140,397
Net loss on fair value change of derivative financial instruments		127,224	26,212
Recognition of equity-settled share-based payments		21,246	—
Release of prepaid lease payments		4,777	4,844
Net loss (gain) on disposal of property, plant and equipment		793	(85)
Loss on fair value change of a restricted bank deposit		188	834
Interest income		(35,017)	(50,575)
Gain on disposal of subsidiaries	31	(19,850)	—
Gain on fair value change of investment properties		(790)	(700)
Impairment loss on trade receivables		—	2,167
Write-down of inventories		—	18
Operating cash flows before working capital changes		674,913	670,216
Increase in inventories		(443,196)	(259,285)
Increase in trade and bills receivables		(292,057)	(159,018)
(Increase) decrease in deposits, prepayments and other receivables		(24,775)	29,106
(Settlement of) proceeds from derivative financial instruments		(99,411)	2,947
Increase in trade and bills payables		260,223	42,466
Increase in other payables and accruals		94,649	26,495
Cash generated from operations		170,346	352,927
Interest received		35,017	50,575
Interest paid on bank borrowings		(143,019)	(140,397)
PRC Enterprise Income Tax ("EIT") paid		(16,635)	(18,906)
Hong Kong Profits Tax paid		(7,766)	(12,740)
Overseas tax paid		—	(125)
NET CASH GENERATED FROM OPERATING ACTIVITIES		37,943	231,334
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(649,854)	(771,053)
Purchase of available-for-sale investment		(15,910)	—
Deposit paid for acquisition of property, plant and equipment		(7,109)	(29,233)
Net cash inflow from disposal of subsidiaries	31	74,543	—
Proceeds from disposal of property, plant and equipment		1,827	1,575
Placement of restricted bank deposits		—	(61,922)
Withdrawal of restricted bank deposits		—	94,550
NET CASH USED IN INVESTING ACTIVITIES		(596,503)	(766,083)
FINANCING ACTIVITIES			
New bank loans raised		726,160	3,176,360
Net proceeds from rights issue		346,600	—
Net proceeds from subscription of shares		257,400	337,636
Net amount of import loans, trust receipts loans and term loans raised		223,139	166,974
Repayment of bank loans		(228,527)	(2,527,442)
Dividend paid to the Company's shareholders		(20,390)	(183,061)
Repayment of mortgage loans		(13,238)	(2,143)
Net repayment of bank borrowings from discounted bills and debts factored with recourse		(12,868)	(266,660)
Proceed from issue of shares through exercise of share options of the Company		—	1,995
NET CASH FROM FINANCING ACTIVITIES		1,278,276	703,659
NET INCREASE IN CASH AND CASH EQUIVALENTS		719,716	168,910
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,111,088	2,003,390
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(105,714)	(61,212)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		2,725,090	2,111,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda and its shares are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section set out in the annual report.

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 "Disclosure Initiative"

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. Information to capital risk management and financial instruments was reordered to Notes 38 and 39, respectively. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs and an interpretation in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
HKFRS 16	Leases[3]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
5 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured at fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$31,535,000 as disclosed in Note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 April 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The Directors anticipate that the application of the other new and amendments to HKFRSs and an interpretation will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit ("CGU") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUS) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income and subcontracting income are recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When buildings are in the course of development for production or for administrative purposes, the release of prepaid lease payments during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any direct attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's properties interests held under operating leases to earn rentals and/or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which it arises.

If an item of investment property becomes a property, plant and equipment because its use has changed as evidenced by commencement of owner-occupation, the deemed cost of such property, plant and equipment for subsequent accounting is its fair value at the date of change in use. Any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in the profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible asset

Intangible asset acquired separately

Intangible asset with indefinite useful life that is acquired separately is carried at cost less subsequent accumulated impairment losses (see the accounting policy in respect of impairment on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of joint arrangements that do not result in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Group's defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as expenses when employees have rendered services entitling them to the contributions.

Short-term benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Share options granted to suppliers/consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all economic benefits embodied in the investments property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL, loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL.

The Group's financial assets classified as financial assets at FVTPL are derivatives that are not designated and effective as hedging instruments and restricted bank deposit.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 39.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) financial assets at FVTPL; (b) loans and receivables; or (c) held-to-maturity investments.

The Group invested in an unlisted fund issued by a financial institution which is classified as AFS financial assets on initial recognition. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy on impairment of financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortised cost.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading; or (ii) it is designated at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Group's financial liabilities classified as financial liabilities at FVTPL are derivatives that are not designated and effective as hedging instruments.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 39.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables and bank borrowings are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Scrip dividends are issued as an alternative to a cash dividend. The amount subscribed for the shares is equal to the cash value of the dividend. Any excess of the scrip amount over the nominal value of the shares is taken to the share premium account just as it is for any other issue of shares.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade receivables

The assessment of the impairment of trade receivables of the Group is based on the evaluation of recoverability of the trade receivables. A considerable amount of management judgment is required in assessing the ultimate realisation of these receivables, by considering the aging of the trade receivable balances, and the repayment history, the financial conditions and the current creditworthiness of each customer. Impairment is made based on the estimation of the future cash flow expected to be received. Where expectation on the recoverability of trade receivable is different from the original estimate, further impairment loss may arise. At 31 March 2017, the carrying amount of trade receivables was HK$1,706,638,000 (2016: HK$1,561,465,000) (net of allowance for doubtful debts of HK$6,169,000 (2016: HK$6,243,000)).

Valuation of structured foreign currency forward contracts

As at 31 March 2017, the Group had outstanding structured foreign currency forward contracts which were stated at fair value. In the absence of quoted market price, the valuation of these contracts was carried out by an independent professional valuer engaged by the Group using Monte Carlo Simulation Model, a valuation technique which involves key inputs and assumptions including spot exchange rates, strike rates, risk-free rate, time to maturity and volatility. Any changes in these key inputs and assumptions could have an impact on the fair value of these contracts. Details of these contracts and fair value measurement are set out in Notes 24 and 39(c), respectively.

5. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided by the Group to outside customers, net of discounts and sales related taxes. It is analysed as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	4,252,452	4,100,317
Production and sale of garment products and provision of quality inspection services	687,452	810,899
	4,939,904	4,911,216

6. SEGMENT INFORMATION

The Group's operations are organised into two operating segments, information of which is reported to the executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered or services provided.

Details of the Group's two operating and reportable segments are as follows.

(i) Knitted fabric and dyed yarn — Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services

(ii) Garment products — Production and sale of garment products and provision of quality inspection services

The following is an analysis of the Group's revenue and results by operating and reportable segments:

Year ended 31 March 2017

	Knitted fabric and dyed yarn	**Garment products**	**Segment total**	**Eliminations**	**Consolidated total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	4,252,452	687,452	4,939,904	—	4,939,904
Inter-segment sales	40,575	—	40,575	(40,575)	—
Segment revenue	4,293,027	687,452	4,980,479	(40,575)	4,939,904
RESULTS					
Segment operating results	387,819	(14,169)	373,650	—	373,650
Gain on disposal of subsidiaries	—	19,850	19,850	—	19,850
Segment results	387,819	5,681	393,500	—	393,500
Unallocated corporate income					61,720
Other gains and losses					(127,414)
Unallocated corporate expenses					(47,055)
Finance costs					(143,019)
Profit before taxation					137,732

Year ended 31 March 2016

	Knitted fabric and dyed yarn	**Garment products**	**Segment total**	**Eliminations**	**Consolidated total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	4,100,317	810,899	4,911,216	—	4,911,216
Inter-segment sales	44,483	—	44,483	(44,483)	—
Segment revenue	4,144,800	810,899	4,955,699	(44,483)	4,911,216
RESULTS					
Segment results	355,904	32,916	388,820	—	388,820
Unallocated corporate income					75,941
Other gains and losses					(26,346)
Unallocated corporate expenses					(15,618)
Finance costs					(140,397)
Profit before taxation					282,400

The accounting policies of the operating segments are the same as the Group's accounting policies as described in Note 3. Segment profit represents the profit earned by each segment without allocation of interest income, rental income, net loss/gain on disposal of property, plant and equipment, gain on fair value change of investment properties, net loss on fair value change of derivative financial instruments, loss on fair value change of restricted bank deposit, central administration costs and finance costs. This is the measure reported to the executive Directors for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at the prevailing market rate.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 31 March 2017

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated total *HK$'000*
ASSETS			
Segment assets	8,414,978	469,207	8,884,185
Unallocated assets			3,040,981
Consolidated total assets			11,925,166
LIABILITIES			
Segment liabilities	662,314	137,827	800,141
Unallocated liabilities			5,367,762
Consolidated total liabilities			6,167,903

At 31 March 2016

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated total *HK$'000*
ASSETS			
Segment assets	7,725,408	664,703	8,390,111
Unallocated assets			2,409,012
Consolidated total assets			10,799,123
LIABILITIES			
Segment liabilities	431,799	97,027	528,826
Unallocated liabilities			4,655,699
Consolidated total liabilities			5,184,525

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, derivative financial instrument, available-for-sale investments, taxation recoverable, investment properties, deferred tax assets, corporate assets and assets of non-core businesses; and

- all liabilities are allocated to operating segments other than current and deferred tax liabilities, bank borrowings, derivative financial instruments, corporate liabilities and liabilities of non-core businesses.

Other segment information

Year ended 31 March 2017

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets *(note)*	672,414	5,192	677,606
Depreciation of property, plant and equipment	280,138	15,453	295,591
Net (gain) loss on disposal of property, plant and equipment	(159)	952	793
Release of prepaid lease payments	4,681	96	4,777

Year ended 31 March 2016

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets *(note)*	765,678	22,542	788,220
Depreciation of property, plant and equipment	245,149	19,555	264,704
Net (gain) loss on disposal of property, plant and equipment	(216)	131	(85)
Release of prepaid lease payments	4,763	81	4,844
Impairment loss on trade receivables	2,167	—	2,167
Write-down of inventories	—	18	18

note: Amounts represented additions to property, plant and equipment.

No other amounts are regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets.

Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

The Group's revenue from external customers by location of customers and information about its non-current assets (excluding restricted bank deposit, deferred tax assets and other assets) by geographic location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2017	**2016**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	548,997	588,023	97,021	89,408
PRC	2,602,645	2,299,406	3,928,921	3,773,950
Bangladesh	445,044	452,490	—	—
USA	444,163	657,870	—	—
Korea	371,722	419,459	—	—
Taiwan	265,232	232,043	—	—
Singapore	86,904	85,299	—	—
Japan	53,149	20,793	—	—
Germany	31,010	70,769	—	—
Canada	25,108	—	—	—
Others	65,930	85,064	26,350	62,758
	4,939,904	4,911,216	4,052,292	3,926,116

Information about major customers

None of the customers individually contributed over 10% of the Group's total annual revenue for the years ended 31 March 2017 and 2016.

Information about products and services

The Group's revenue represents sale of knitted fabric, dyed yarn and garment products, provision of garment products related subcontracting and quality inspection services. No information about products and service is presented as the information is not available and the cost to develop such information would be excessive.

7. OTHER GAINS AND LOSSES

	2017	**2016**
	HK$'000	*HK$'000*
Net loss on fair value change of derivative financial instruments	127,224	26,212
Net loss (gain) on disposal of property, plant and equipment	793	(85)
Loss on fair value change of a restricted bank deposit	188	834
Net foreign exchange losses	43	10,230
Gain on fair value change of investment properties	(790)	(700)
Impairment loss on trade receivables	—	2,167
	127,458	38,658

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	143,019	140,397

9. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Current year		
— Hong Kong Profits Tax	—	9,155
— PRC EIT	21,844	21,889
— Overseas income tax	—	125
	21,844	31,169
Under(over)provision in respect of prior years	57	(2,152)
	21,901	29,017
Deferred taxation *(Note 33)*		
Current year	2,255	3,863
	24,156	32,880

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC

EIT in the PRC is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC for both years, as determined in accordance with relevant income tax rules and regulation in the PRC.

Macau

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Macau subsidiaries are exempted from Macao Complementary Tax.

Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation	137,732	282,400
Tax at the domestic income tax rate of 16.5%	22,726	46,596
Tax effect of expenses that are not deductible for tax purpose	13,687	13,799
Tax effect of income not taxable for tax purpose	(4,185)	(6,889)
Tax effect of tax losses not recognised	14,268	9,660
Tax effect of utilisation of tax losses previously not recognised	(2,982)	(2,957)
Tax effect of other deductible temporary differences not recognised	5,048	12,553
Tax effect of utilisation of other deductible temporary differences previously not recognised	(555)	(5,905)
Effect of tax exemptions granted to overseas subsidiaries	(34,685)	(45,475)
Effect of different tax rates of subsidiaries operating in other jurisdictions	5,639	6,485
Under(over)provision in respect of prior years	57	(2,152)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	5,138	7,165
Income tax expense for the year	24,156	32,880

Details of deferred taxation are set out in Note 33.

10. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration *(note i)*	25,022	21,848
Other staff costs	493,106	593,653
Total staff costs	518,128	615,501
Auditor's remuneration	3,636	3,780
Depreciation of property, plant and equipment	295,591	264,704
Release of prepaid lease payments	4,777	4,844
Write-down of inventories (included in cost of sales)	—	18
and after crediting:		
Bank interest income	35,017	50,575
Government grants	616	4,758
Rental income from investment properties, and plant and machinery (net of negligible outgoings)	26,703	25,366

Included in the other staff costs is an aggregate amount of HK$38,013,000 (2016: HK$47,689,000) in respect of contributions to retirement benefits schemes made by the Group (note ii) and HK$17,941,000 (2016: Nil) in respect of equity-settled share-based payments.

The cost of inventories recognised as an expense approximates the cost of sales as disclosed in the consolidated statement of profit or loss and other comprehensive income for both years.

notes:

(i) Information regarding Directors', chief executive's and employees' emoluments

Directors and chief executive

The emoluments paid or payable to each of the seven (2016: seven) Directors and the chief executive were as follows:

	Executive directors				Non-executive directors			
	Li Ming Hung	**Chen Tien Tui**	**Lee Yuen Chiu Andy**	**Choi Lin Hung**	**Kan Ka Hon**	**Phaisalakani Vichai**	**Kwok Sze Chi**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017								
Fees	—	—	—	1,170	240	240	240	1,890
Salaries and other benefits	4,920	4,920	1,550	2,490	—	—	—	13,880
Equity-settled share-based payments	—	—	—	1,180	—	—	—	1,180
Performance related incentive payments *(note)*	3,180	3,180	728	751	—	—	—	7,839
Contributions to retirement benefits schemes	61	61	86	25	—	—	—	233
Total emoluments	8,161	8,161	2,364	5,616	240	240	240	25,022
2016								
Fees	—	—	—	1,170	240	240	240	1,890
Salaries and other benefits	3,960	3,960	1,550	2,490	—	—	—	11,960
Performance related incentive payments *(note)*	3,154	3,154	728	751	—	—	—	7,787
Contributions to retirement benefits schemes	50	50	86	25	—	—	—	211
Total emoluments	7,164	7,164	2,364	4,436	240	240	240	21,848

note: Performance related incentive payments were determined based on the Group's operating results and future plans, individual performance and comparable market statistics.

Mr. Chen Tien Tui is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

The executive Director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive Directors' emoluments shown above were mainly for their services as Directors.

Employees

The five highest paid individuals of the Group for both years included four Directors, details of whose emoluments are set out above. The emoluments of the remaining highest paid individual of the Group, not being a Director, are as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	1,920	1,620
Performance related incentive payments	987	803
Contributions to retirement benefits schemes	69	66
	2,976	2,489

During each of the year ended 31 March 2017 and 31 March 2016, (i) no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and (ii) none of the Directors waived any emoluments.

(ii) Retirement benefits scheme contributions

The Group has operated a defined contribution retirement benefits scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is also required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The Group makes mandatory monthly contribution of HK$1,500 or 5% of the relevant payroll costs (which is lower) to the scheme, which contribution is matched by the employee.

Both the defined contribution retirement benefits scheme and the MPF scheme co-existed within the Group in both years.

As at 31 March 2017 and 2016, there were no forfeited contributions available to offset future employers' contributions to the scheme.

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions, which are based on 15% to 20% (2016: 15% to 20%) of the salaries of the relevant subsidiaries' employees, are charged to the profit or loss in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

In addition, certain overseas subsidiaries of the Company are required to contribute amounts based on employees' salaries to the retirement benefit schemes as stipulated by relevant local authorities. The employees are entitled to these subsidiaries' contributions subject to the regulations of the relevant local authorities. The only obligation of the Group with respect to these schemes is to make the specified contributions.

11. DISTRIBUTIONS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2016 interim dividend of HK4.0 cents (2017: Nil) per ordinary share	—	87,348
2016 final dividend of HK1.0 cent (2016: 2015 final dividend of HK3.0 cents and special dividend of HK4.0 cents) per ordinary share	27,722	130,523
	27,722	217,871

No final dividend has been proposed for the year ended 31 March 2017 (2016: HK1.0 cent per share, in cash with a scrip dividend option).

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for the year is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	135,526	241,811
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,042,668,232	2,025,445,105
Effect of dilutive potential ordinary shares: Company's share options	—	24,945,146
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,042,668,232	2,050,390,251

The computation of diluted earnings per share for the current year does not assume the exercise of the Company's outstanding share options as the relevant exercise price of those options were higher than the average market price for the current year.

The effect of the rights issue during the year has been considered in the computation of earnings per share. No adjustment to the earnings per share for the year ended 31 March 2016 is considered necessary.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST							
At 1 April 2015	2,584,907	299,933	75,928	551,043	37,900	2,090,532	5,640,243
Exchange realignment	(86,127)	(7,885)	(1,484)	(22,110)	(676)	(81,953)	(200,235)
Additions	577	652,097	2,093	5,130	7,536	120,787	788,220
Transfer	97,098	(815,655)	—	168,057	—	550,500	—
Transfer to investment properties *(Note 15)*	(102,869)	—	—	—	—	—	(102,869)
Disposals	—	—	(874)	—	(6,077)	(813)	(7,764)
At 31 March 2016	2,493,586	128,490	75,663	702,120	38,683	2,679,053	6,117,595
Exchange realignment	(132,457)	(9,475)	(2,249)	(44,713)	(1,006)	(146,795)	(336,695)
Additions	29,181	510,582	2,403	—	6,261	129,179	677,606
Transfer	54,741	(414,885)	—	306,668	—	53,476	—
Transfer from investment properties *(Note 15)*	8,922	—	—	—	—	—	8,922
Transfer to investment properties *(Note 15)*	(3,189)	—	—	—	—	—	(3,189)
Disposals	—	—	(1,398)	(1,341)	(3,727)	(13,150)	(19,616)
Disposal of subsidiaries *(Note 31)*	(3,842)	—	(3,945)	(7,223)	(1,941)	(33,946)	(50,897)
At 31 March 2017	2,446,942	214,712	70,474	955,511	38,270	2,667,817	6,393,726
DEPRECIATION							
At 1 April 2015	793,538	—	59,060	47,839	25,541	1,488,999	2,414,977
Exchange realignment	(28,630)	—	(1,451)	(1,160)	(518)	(53,494)	(85,253)
Provided for the year	105,327	—	5,454	27,338	4,942	121,643	264,704
Transfer to investment properties *(Note 15)*	(1,188)	—	—	—	—	—	(1,188)
Eliminated on disposals	—	—	(856)	—	(4,786)	(632)	(6,274)
At 31 March 2016	869,047	—	62,207	74,017	25,179	1,556,516	2,586,966
Exchange realignment	(48,089)	—	(1,830)	(3,443)	(814)	(87,106)	(141,282)
Provided for the year	102,614	—	4,031	29,005	5,223	154,718	295,591
Eliminated on disposals	—	—	(1,341)	(1,298)	(3,568)	(10,789)	(16,996)
Transfer to investment properties *(Note 15)*	(748)	—	—	—	—	—	(748)
Disposal of subsidiaries *(Note 31)*	(2,278)	—	(798)	(2,581)	(1,184)	(16,146)	(22,987)
At 31 March 2017	920,546	—	62,269	95,700	24,836	1,597,193	2,700,544
CARRYING VALUES							
At 31 March 2017	1,526,396	214,712	8,205	859,811	13,434	1,070,624	3,693,182
At 31 March 2016	1,624,539	128,490	13,456	628,103	13,504	1,122,537	3,530,629

Taking into account the residual values, the above items of property, plant and equipment, other than construction in progress, are depreciated using the straight-line method at the following rates per annum:

Leasehold land and buildings	25 years or the term of the lease, if shorter
Furniture, fixtures and equipment	15%–$33^1/_3$% per annum
Leasehold improvements	5 to 10 years or the term of the relevant leases, if shorter
Motor vehicles	20% per annum
Plant and machinery	$6^2/_3$%–25% per annum

	2017	2016
	HK$000	*HK$000*
The Group's leasehold land and buildings comprise:		
Leasehold land and buildings located in:		
PRC	1,510,130	1,603,238
Hong Kong	16,266	19,682
Jordan	—	1,619
	1,526,396	1,624,539

14. PREPAID LEASE PAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Prepaid lease payments comprise leasehold land in the PRC	192,762	198,137
Analysed for reporting purposes as:		
Current assets	4,744	4,815
Non-current assets	188,018	193,322
	192,762	198,137

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUES	
At 1 April 2015	54,800
Transfer from property, plant and equipment	101,681
Transfer from prepaid lease payments	603
Increase in fair value recognised in property revaluation reserve upon the transfer from property, plant and equipment	8,426
Increase in fair value recognised in profit or loss	700
Exchange realignment	(1,553)
At 31 March 2016	164,657
Transfer to property, plant and equipment	(8,922)
Transfer to prepaid lease payments	(3,021)
Transfer from property, plant and equipment	2,441
Increase in fair value recognised in property revaluation reserve upon the transfer from property, plant and equipment	4,789
Increase in fair value recognised in profit or loss	790
Exchange realignment	(6,078)
At 31 March 2017	154,656

During the year ended 31 March 2017, investment properties with carrying amounts of HK$11,943,000 was transferred to property, plant and equipment and prepaid lease payments as the management had changed the use of property to owner occupation purpose. The property was fair-valued by Roma Appraisals Limited ("Roma"), an independent firm of valuers not connected with the Group, at the date of transfer using the depreciated replacement costs approach.

During the year ended 31 March 2017, a portion of the Group's office premise located in Hong Kong with a carrying amount of HK$2,441,000 was leased out to an independent third party. The corresponding portion of the leasehold land and building was reclassified from property, plant and equipment to investment properties from the date of commencement of the lease agreement. The property was fair-valued by Roma and the resulting increase in fair value of net of non-controlling interest HK$2,442,000 has been credited to the property revaluation reserve. The fair value of commercial properties were determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar properties in the market.

During the year ended 31 March 2016, property, plant and equipment and prepaid lease payments with carrying amounts of HK$101,681,000 and HK$603,000, respectively were transferred to investment properties as the management had changed the use of the properties, evidenced by entering into various operating leases with tenants. The properties were fair-valued by Roma at the date of transfer using the depreciated replacement costs approach, or by reference to recent market prices and market rental for similar properties in similar locations and conditions, where appropriate. The resulting increase in fair value net of related deferred taxation and non-controlling interest of HK$3,435,000 has been credited to the property revaluation reserve.

The Group's property interest held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for investment properties.

The fair value of the Group's investment properties at 31 March 2017 and 2016 has been arrived at based on a valuation carried out by Roma.

The fair value of industrial properties was determined based on the depreciated replacement costs approach, where the estimate of the market value for the existing use of land plus the current costs of replacement of the properties less deductions for physical deterioration and all relevant from of obsolescence and optimisation. The fair value of residential property was determined by reference to the recent market prices for similar prices for similar properties in similar locations and conditions. The fair value of commercial property was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar properties in the market.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2017 and 2016 are as follows:

Category	**Fair value hierarchy**	**Fair value**		**Valuation techniques**	**Key unobservable inputs**	**Relationship of unobservable inputs to fair value**
		2017	**2016**			
		HK$'000	*HK$'000*			
Industrial properties	Level 3	91,136	109,157	Depreciated replacement costs approach	Market value of the existing use of land	The higher the market value, the higher the fair value
					Current costs of replacements of the properties	The higher the replacement costs, the higher the fair value
					Provision for physical deterioration and obsolescence and costs of optimisation	The higher the provision and costs, the lower the fair value
Residential property	Level 3	32,000	32,000	Market comparable approach	Transaction prices for similar properties after accounting for floor areas and floor level	The higher the transaction prices, the higher the fair value
Commercial property	Level 3	31,520	23,500	Income approach	Monthly market rent, taking into account the differences in location and individual factors, such as floor areas and floor level, between the comparables and the property	The higher the market rent, the higher the fair value
					Reversionary yield (derived from monthly market rent)	The higher the reversionary yield, the lower the fair value
		154,656	164,657			

There were no transfers into or out of Level 3 during both years.

	2017	**2016**
	HK$'000	*HK$'000*
The Group's investment properties comprise:		
Investment properties located in:		
PRC	91,136	109,157
Hong Kong	63,520	55,500
	154,656	164,657

16. GOODWILL

	HK$'000
COST	
At 1 April 2015 and 31 March 2016	6,614
Disposal of subsidiaries *(Note 31)*	(429)
At 31 March 2017	6,185

As explained in Note 6, the Group has two (2016: two) operating segments. For the purposes of impairment testing, goodwill was allocated to individual CGU or a group of CGUs, which are included in the production and sale of garment products segment. The segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

During the year ended 31 March 2017 and 2016, the Directors determine that there are no impairment of any of its CGUs containing goodwill. The recoverable amount of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10% (2016: 10%). The cash flows beyond the 5-year period are extrapolated using zero growth rate for both years. The growth rate beyond the budget period is estimated based on management forecasts. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the units' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount.

17. INTANGIBLE ASSET

	HK$'000
COST	
At 1 April 2015, 31 March 2016 and 31 March 2017	1,000
IMPAIRMENT	
At 1 April 2015, 31 March 2016 and 31 March 2017	(1,000)
CARRYING VALUES	
At 31 March 2017 and 31 March 2016	—

The intangible asset represents a trademark acquired for the garment products segment. While the trademark has a registered life of 7 years, the Directors are of the opinion that it can be renewed at minimal cost upon expiration of its registration and practically has indefinite useful life. The trademark has been allocated to a CGU, which is included in the garment products segment. Accordingly, no amortisation is provided on the trademark while assessment on any indication of reversal on recognised impairment loss will be performed at least annually.

18. INTEREST IN A JOINT VENTURE

	2017 & 2016 *HK$'000*
Cost of unlisted investment in a joint venture	1,340
Share of post-acquisition losses	(1,340)
	—

As at 31 March 2017 and 31 March 2016, the Group had interest in the following joint venture:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Proportion of nominal value of issued capital held by the Group	Principal activity
Gojifashion Inc.	Incorporation	Canada	Canada	50%	Inactive

The joint venture is inactive and has insignificant assets and liabilities. The Group has discontinued recognition of its share of losses of the joint venture. The amounts of income, expenses and unrecognised share of the loss of the joint venture, both for the year and cumulatively, are insignificant.

19. RESTRICTED BANK DEPOSIT

This represents an initial deposit of US$7,990,000 (2016: US$7,990,000) placed with a bank pursuant to one of the Net-settled Contracts (as defined in Note 24) entered into during the year ended 31 March 2016. The amount is repayable to the Group on 5 March 2019 (2016: 5 March 2019) at US$8,000,000 (2016: US$8,000,000).

The Group has designated the restricted bank deposit as a financial asset at FVTPL.

20. INVENTORIES

	2017	**2016**
	HK$'000	*HK$'000*
Raw materials	1,655,393	1,426,238
Work in progress	762,587	636,880
Finished goods	573,254	704,702
	2,991,234	2,767,820

21. TRADE AND BILLS RECEIVABLES

	2017	**2016**
	HK$'000	*HK$'000*
Trade receivables	1,712,807	1,567,708
Bills receivables	6,833	2,802
Bills discounted with recourse and debts factored with recourse	142,257	155,803
Less: Allowance for doubtful debts	(6,169)	(6,243)
	1,855,728	1,720,070

The Group generally allows its trade customers a credit period of 30 to 120 days.

The following is an aged analysis of trade and bills receivables (net of allowance for doubtful debts), presented based on the invoice date, which approximated the respective revenue recognition date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0–60 days	1,209,205	1,104,123
61–90 days	371,831	380,297
91–120 days	189,653	160,765
Over 120 days	85,039	74,885
	1,855,728	1,720,070

The Group's trade and bills receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017	2016
	HK$'000	*HK$'000*
RMB	73,160	36,042
US$	252,563	220,807

Before accepting any new customer, the Group assesses and understands the potential customer's credit quality. The management reviews each customer's credit quality regularly. All trade receivables that are neither past due nor impaired have good credit quality after considering the aging of the trade receivable balances, and the repayment history, the financial conditions and the current creditworthiness of each customer. Impairment is made based on the estimation of the future cash flow expected to be received. Where expectation on the recoverability of trade receivable is different from the original estimate, further impairment loss may arise.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$85,039,000 (2016: HK$74,885,000) which were past due, all aged over 120 days, at the end of the reporting period but for which the Group has not provided for impairment loss.

The Group does not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there has not been an adverse change in the relevant entities' credit quality. The Group has assessed the ultimate realisation of these receivables, including the aging of the trade receivable balances, and the repayment history, the financial conditions and the current creditworthiness of each customer and has not identified any credit risk on these trade receivables.

As at 31 March 2017, the Group factored certain trade receivables and discounted certain bill receivables to banks with recourse. The Group continued to recognise the carrying amount of the respective receivables as the Group was still exposed to credit risk on these receivables. As at 31 March 2017, the carrying amount of trade receivables factored and bills receivables discounted with recourse was HK$142,257,000 (2016: HK$155,803,000).

Movements in the allowance for doubtful debts

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	6,243	4,125
Exchange realignment	(74)	(49)
Impairment loss recognised on trade receivables	—	2,167
Balance at end of the year	6,169	6,243

The impairment loss recognised was related to customers which have either been placed under liquidation or were in severe financial difficulties.

22. TRANSFER OF FINANCIAL ASSETS

The followings were the Group's trade and bills receivables as at 31 March 2017 that were transferred to banks by factoring those trade receivables or discounting those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade and bills receivables, it continues to recognise the full carrying amount of the trade and bills receivables and has recognised the cash received on the transfer as an unsecured borrowing (see Note 29). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2017	2016
	HK$'000	*HK$'000*
Carrying amount of trade and bills receivables	142,257	155,803
Carrying amount of associated liabilities	(142,166)	(155,034)

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Deposits paid for purchase of raw materials and garment products	129,587	121,994
Other deposits and prepayments	25,511	30,391
Others	24,350	25,812
	179,448	178,197

24. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

		Liabilities		Assets	
		2017	2016	2017	2016
	notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Structured foreign currency forward contracts:	(i)				
Net-settled Contracts	(ii)	151,037	122,150	—	—
Interest rate swap	(iii)	2,761	4,632	—	—
Interest rate collars	(iv)	1,326	—	529	—
		155,124	126,782	529	—

notes:

(i) The Group has entered into certain contracts with various financial institutions to hedge against an increase in RMB/US$ exchange rate for certain agreed periods of time. The Group and the respective financial institutions would settle on a net basis with reference to the fluctuation of the RMB/US$ exchange rate against the pre-determined exchange rate on a monthly basis (the "Net-Settled Contracts") over the contract periods. Certain of these contracts also include a knockout provision whereby the contracts will be automatically terminated in certain scenarios.

(ii) The pre-determined RMB/US$ exchange rates range from 6.00 to 6.70 (2016: 6.00 to 6.70). The maximum aggregate notional amount of these Net-settled Contracts for the calculation of the monthly net-settled amounts is US$23,000,000 (2016: US$27,000,000), of which US$17,000,000 (2016: US$21,000,000) is related to contracts with knockout provision. The maturity dates of these contracts range from 8 August 2017 to 5 March 2019 (2016: 8 August 2017 to 5 March 2019) subject to knockout provision.

(iii) At 31 March 2017, the total notional amount of the interest rate swap contract which swaps interest rate from floating rate at 3-month HIBOR per annum to a fixed rate of 3.56% (2016: 3.56%) per annum amounted to HK$40,000,000 (2016: HK$40,000,000). The interest rate swap is to be net-settled on a quarterly basis over the period from 31 May 2017 to 31 May 2021 (2016: from 31 May 2016 to 31 May 2021).

(iv) At 31 March 2017, the total notional amount of the interest rate collar contracts with a cap rate of 4.00% (2016: N/A) per annum and floor rate of 0.20% (2016: N/A) per annum against floating rate at 1-month HIBOR (2016: N/A) per annum amounted to HK$1,500,000,000 (2016: N/A). The interest rate collar contracts are to be net-settled on a monthly basis over the contract periods. The maturity dates of these contracts range from 20 June 2019 to 24 June 2019 (2016: N/A).

25. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	HK$'000	*HK$'000*
Unlisted equity investment *(note i)*	15,910	—
Unlisted trust fund *(note ii)*	2,014	1,694
	17,924	1,694

notes:

(i) The above investment in an unlisted equity investment represents investment in an unlisted equity security issued by a private entity incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably.

(ii) The above investment in an unlisted trust fund is measured at fair value. The trust fund invested in wide range of equity or debt investment products. The fair value is based on quoted price from a financial institution.

26. BANK BALANCES AND CASH

These represent bank balances, cash and short-term bank deposits held by the Group.

	2017	2016
	HK$'000	*HK$'000*
Bank balances and cash	2,052,744	1,620,208
Short term deposits	672,346	490,880
	2,725,090	2,111,088

The bank balances and short term deposits carry interest at prevailing market rates ranging from 0.001% to 4.00% (2016: 0.001% to 2.50%) per annum for the year.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017	2016
	HK$'000	*HK$'000*
HK$	1,612	25,227
RMB	41,909	43,165
US$	468,213	8,278

27. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0–60 days	322,054	259,220
61–90 days	106,280	89,400
91–120 days	139,861	31,876
Over 120 days	67,998	16,621
	636,193	397,117

The credit period for purchase of goods is 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit periods granted.

The Group's trade and bills payables that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2017	2016
	HK$'000	*HK$'000*
US$	79,397	64,983

28. OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Other payables	49,935	30,237
Accruals	72,548	77,724
Deposits received from customers	8,227	10,295
Rental deposit received	10,091	10,699
Others	22,956	5,642
	163,757	134,597

29. BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Bank loans	3,493,294	2,999,768
Bills discounted with recourse and debts factored with recourse	142,166	155,034
Import loans, export loans, trust receipts loans and term loans	1,405,727	1,186,695
Mortgage loans	10,879	24,117
	5,052,066	4,365,614
Analysed as:		
— secured	319,409	353,729
— unsecured	4,732,657	4,011,885
	5,052,066	4,365,614

	2017	2016
	HK$'000	*HK$'000*
Carrying amounts of bank loans that do not contain repayment on demand clause and repayable (note):		
Within one year	825,144	246,423
In more than one year but not more than two years	852,177	522,490
In more than two years but not more than three years	1,440,444	741,175
In more than three years but not more than four years	—	1,252,826
	3,117,765	2,762,914
Carrying amounts of bank loans that contain repayment on demand clause and repayable (note):		
Within one year	1,850,206	1,506,050
In more than one year but not more than two years	51,522	52,219
In more than two years but not more than three years	32,573	36,385
In more than three years but not more than four years	—	1,574
In more than four years but not more than five years	—	1,621
In more than five years	—	4,851
	1,934,301	1,602,700
	5,052,066	4,365,614
Less: Amounts shown as current liabilities	(2,759,445)	(1,849,123)
Amounts shown as non-current liabilities	2,292,621	2,516,491

note: The amounts due are based on schedule repayment dates set out in the loan agreements.

The above includes syndicated loans of HK$2,888,000,000 (2016: HK$2,511,840,000) which bears interest at HIBOR plus 2.17% per annum or London Interbank Offered Rate ("LIBOR") plus 2.17% per annum with a tenure of 3.5 years (2016: HIBOR plus 2.17% per annum or LIBOR plus 2.17% per annum with a tenure of 3.5 years). The Group's other variable-rate bank borrowings bear interest rates which fall within the range of HIBOR plus 1.00% to 2.70% per annum, LIBOR plus 1.25% to 2.50% per annum or the People's Bank of China Prescribed Rate ("PBOC Prescribed Rate") times 1.1 per annum for the year ended 31 March 2017 (2016: HIBOR plus 1.50% to 2.50% per annum, LIBOR plus 1.25% to 2.50% per annum or the PBOC Prescribed Rate times 1.1 per annum). The range of effective interest rates of the Group's bank borrowings are 1.37% to 5.51% per annum (2016: 1.52% to 5.69% per annum).

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017	**2016**
	HK$'000	*HK$'000*
HK$	15,660	24,568
US$	647,302	480,584

30. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2015, 31 March 2016 and 31 March 2017	40,000,000,000	400,000
Issued and fully paid:		
As at 1 April 2015	1,862,559,899	18,625
Issue of Shares pursuant to scrip dividend scheme for 2015 final dividend *(note i)*	15,127,796	151
Issue of Shares pursuant to scrip dividend scheme for 2015 special dividend *(note i)*	17,032,059	170
Issue of Shares pursuant to scrip dividend scheme for 2016 interim dividend *(note ii)*	2,498,932	25
Issue of Shares upon exercise of share options *(Note 32)*	2,550,000	26
Issue of Shares upon subscription of shares, net of related transaction costs *(note iii)*	372,460,000	3,725
As at 31 March 2016	2,272,228,686	22,722
Issue of Shares pursuant to scrip dividend scheme for 2016 final dividend *(note iv)*	23,600,784	236
Issue of Shares upon subscription of shares, net of related transaction costs *(note v)*	500,000,000	5,000
Rights Issue *(note vi)*	1,397,914,735	13,979
As at 31 March 2017	4,193,744,205	41,937

notes:

(i) On 30 October 2015, the Company issued and allotted a total of 32,159,855 Shares of HK$0.01 each at an issue price of HK$1.0241 each in lieu of cash for the 2015 final and special dividends pursuant to the scrip dividend circular to Shareholders dated 25 September 2015. These Shares ranked pari passu in all respects with the then existing Shares.

(ii) On 11 March 2016, the Company issued and allotted a total of 2,498,932 Shares of HK$0.01 each at an issue price of HK$0.7505 each in lieu of cash for the 2016 interim dividends pursuant to the scrip dividend circular to Shareholders dated 22 January 2016. These Shares ranked pari passu in all respects with the then existing Shares.

(iii) On 14 September 2015, the Company entered into a placing and subscription agreement with Pearl Garden and Madian Star as vendors (the "Vendors") and Kingston Securities Limited ("Kingston Securities") as placing agent (the "First Placing Agent"), which are independent and not connected with the Group. Pursuant to the placing and subscription agreement, the First Placing Agent agreed to place up to 186,460,000 placing shares held by the Vendors to third parties which (including their ultimate beneficial owners, where applicable) are (i) independent of the Vendors, the Group and their respective connected persons; and (ii) independent of, not connected with and not acting in concert with any of the Vendors or their respective concert parties at HK$1.00 per placing share. The placing and subscription were completed on 16 September 2015 and 25 September 2015 respectively. After deducting all related transaction costs, the net proceeds from the subscription amounted to approximately HK$183,928,000. The new Shares rank pari passu with the existing Shares in all respects.

On 23 October 2015, the Company entered into a placing agreement with the Vendors and DBS Asia Capital Limited (the "Second Placing Agent"), which are independent and not connected with the Group. Pursuant to the placing agreement, the Second Placing Agent has agreed to place up to 100,000,000 placing shares held by the Vendors to third parties which (including their beneficial owners, where applicable) are (i) independent of, not connected with and not acting in concert with or directly or indirectly funded by any of the Vendors or their respective concert parties; (ii) not connected persons of the Group and are independent of and not connected with the Group, the Directors, chief executive or substantial shareholders of the Group; and (iii) have not become substantial Shareholders following the placing at HK$1.00 per placing share. On the same date, the Company also entered into a subscription agreement with the Vendors to conditionally agree to allot and issue the exact number of subscription shares which will be equivalent to the respective number of placing shares actually placed by the Vendors at HK$1.00 per subscription share. The placing and subscription were completed on 27 October 2015 and 6 November 2015, respectively. After deducting all related transaction costs, the net proceeds from the subscription amounted to approximately HK$98,568,000. The new Shares rank pari passu with the existing Shares in all respects.

On 1 February 2016, the Company entered into a placing and subscription agreement with the Vendors and the First Placing Agent. On 2 February 2016, the Company entered into a supplement agreement to the placing and subscription agreement with the Vendors and the First Placing Agent. Pursuant to the placing and subscription agreement, the First Placing Agent agreed to place up to 86,000,000 placing shares held by the Vendors to third parties which (including their ultimate beneficial owners, where applicable) are (i) independent of the Vendors, the Group and their respective connected persons; and (ii) independent of, not connected with and not acting in concert with any of the Vendors or their respective concert parties at HK$0.65 per placing share. The placing and subscription were completed on 5 February 2016 and 15 February 2016 respectively. After deducting all related transaction costs, the net proceeds from the subscription amounted to approximately HK$55,140,000. The new Shares rank pari passu with the existing Shares in all respects.

(iv) On 28 October 2016, the Company issued and allotted a total of 23,600,784 Shares of HK$0.01 each at an issue price of HK$0.3107 each in lieu of cash for the 2016 final dividends pursuant to the scrip dividend circular to Shareholders dated 23 September 2016. These Shares ranked pari passu in all respects with the then existing Shares.

(v) On 18 March 2016, the Company entered into a placing agreement the First Placing Agent. Pursuant to the placing agreement, the First Placing Agent agreed to place up to 500,000,000 placing shares to third parties which (including their beneficial owners, where applicable) are (i) independent of, not connected with and not acting in concert with or directly or indirectly funded by any of the Vendors or their respective concert parties; (ii) not connected persons of the Company and are independent of and not connected with the Company, the Directors, chief executive or substantial shareholders of the Company; and (iii) have not become substantial Shareholders following the placing at HK$0.52 per placing share. The placing was completed on 17 May 2016. After deducting all related transaction costs, the net proceeds from the placing amounted to approximately HK$257,400,000. The new Shares rank pari passu with the existing Shares in all respects.

(vi) On 8 November 2016, the Company proposed a rights issue to raise a gross proceeds of approximately HK$349.5 million to approximately HK$396.2 million on the basis of one rights Share for every two existing Shares held on the record date (i.e. 9 December 2016) by issuing not less than 1,397,914,735 rights Shares and not more than 1,584,839,735 rights Shares at the subscription price of HK$0.25 per rights Share.

On 6 January 2017, the Company issued and allotted 1,397,914,735 rights Shares at a price of HK$0.25 per rights Share to subscribers. The number of rights Share applied and issued was 1,282,010,152. Pursuant to the underwriting agreement, Kingston Securities, the underwriter, has subscribed to the remaining under-subscribed 115,904,583 rights Shares.

31. DISPOSAL OF SUBSIDIARIES

On 13 July 2016, VC Investments, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Purchaser conditionally agreed to purchase and VC Investments conditionally agreed to sell its entire 51% equity interest in RS Holdings and its subsidiaries (collectively referred to as the "RS Group") at a cash consideration of HK$98,000,000. The RS Group is principally engaged in the manufacturing of garment products in Jordan. The disposal was completed on 1 August 2016 and the RS Group ceased to be subsidiaries of the Group. Disposal-related costs amounting to HK$162,000 were excluded from the consideration received and recognised as an expense in the consolidated statement of profit or loss.

Further details of the consideration and assets and liabilities disposed of in respect of the RS Group at the date of the disposal were as follows:

	HK$'000
Consideration:	
Cash received	98,000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	27,910
Goodwill	429
Inventories	78,095
Trade receivables	68,347
Deposits, prepayments and other receivables	14,402
Bank balances and cash	23,457
Trade payables	(818)
Other payables and accruals	(58,605)
Net assets disposed of	153,217
Gain on disposal:	
Consideration	98,000
Net assets disposed of	(153,217)
Non-controlling interests	75,076
Cumulative exchange difference in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	(9)
	19,850

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration received	98,000
Less: Bank balances and cash disposed of	(23,457)
	74,543

32. SHARE-BASED PAYMENT TRANSACTIONS

On 15 March 2011, a new share option scheme (the "2011 Scheme") of the Company was approved and adopted pursuant to an ordinary resolution, upon the expiry of the Company's then existing share option scheme. The terms of the 2011 Scheme and the expired Scheme (collectively the "Schemes") are broadly similar. The 2011 Scheme is effective for a period of 10 years. The Schemes were adopted for the primary purpose of providing incentives or rewards to selected participants for their contributions to the Group. Under the Schemes, the Board of Directors of the Company could grant options to full-time employees, including executive directors of the Company and its subsidiaries, and any participants from time to time determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Schemes and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Schemes and any other share option scheme of the Group) to be granted under the Schemes and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on 15 March 2011. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the shareholders of the Company, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Schemes and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per grant of option(s). Options may, subject to the black-out periods under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors of the Company could at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The following table discloses movements in the Company's share options during both years:

					Number of option shares					
Category	Date of grant	Exercise price per Share	Adjusted exercise price per share due to Rights Issue	Exercisable period	Outstanding at 1.4.2015	Exercised during the year	Outstanding at 31.3.2016	Granted during the year	Addition after adjustment due to Rights Issue	Outstanding at 31.3.2017
		HK$	*HK$*							
Directors										
Mr. Li Ming Hung	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	1,200,000	—	1,200,000	—	57,720	1,257,720
Mr. Chen Tien Tui	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	1,200,000	—	1,200,000	—	57,720	1,257,720
Mr. Lee Yuen Chiu Andy	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	5,000,000	—	5,000,000	—	240,500	5,240,500
Mr. Choi Lin Hung	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	12,000,000	—	12,000,000	—	577,200	12,577,200
	12 October 2016	0.391	0.373	12.10.2016–11.10.2021	—	—	—	15,000,000	721,500	15,721,500
Employees	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	87,000,000	(2,550,000)	84,450,000	—	4,062,045	88,512,045
	12 October 2016	0.391	0.373	12.10.2016–11.10.2021	—	—	—	228,000,000	10,966,800	238,966,800
Others	12 October 2016	0.391	0.373	12.10.2016–11.10.2021	—	—	—	27,000,000	1,298,700	28,298,700
					106,400,000	(2,550,000)	103,850,000	270,000,000	17,982,185	391,832,185
Exercisable at the end of the year					106,400,000		103,850,000			391,832,185
Weighted average exercise price (HK$)					0.782		0.782			0.477

On 12 October 2016, the Company granted 270,000,000 new share options to the eligible Director and eligible employees under the 2011 Scheme. The exercise price of the options granted is HK$0.391 per Share while the closing price of the Share immediately before the date of grant is HK$0.385. These options were immediately vested and are exercisable for a period up to the 5th anniversary of the date of grant. The fair value of these options was determined to be HK$0.0787 per option, arrived at using the Binomial Model with the following variables and assumptions:

Share price at grant date	HK$0.385
Exercise price	HK$0.391
Expected volatility	43.24%
Expected life	5 years
Expected dividend yield	4.84%
Risk free rate	0.745%

The variables and assumptions used above were based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Expected volatility was determined based on historical volatility of the price of the Shares.

The fair value of the share option granted was approximately HK$21,246,000 and the amount was fully recognised as share-based payment expense during the year ended 31 March 2017.

33. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2017	**2016**
	HK$'000	*HK$'000*
Deferred tax assets	4,197	2,433
Deferred tax liabilities	(86,385)	(87,424)
	(82,188)	(84,991)

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Fair value adjustments on prepaid lease payments and property, plant and equipment arising on business combination	Accelerated tax and accounting depreciation	Dividend withholding tax	Fair value adjustments on investment properties	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	66,595	(1,549)	19,966	—	(2,756)	82,256
(Credit) charge to profit or loss	(3,400)	5	7,165	—	93	3,863
Charge to revaluation reserve	—	—	—	2,106	—	2,106
Exchange differences	(2,344)	—	(833)	(57)	—	(3,234)
At 31 March 2016	60,851	(1,544)	26,298	2,049	(2,663)	84,991
(Credit) charge to profit or loss	(3,222)	211	5,138	—	128	2,255
Exchange differences	(3,384)	—	(1,550)	(124)	—	(5,058)
At 31 March 2017	54,245	(1,333)	29,886	1,925	(2,535)	82,188

At the end of the reporting period, the Group had unused tax losses of HK$227,151,000 (2016: HK$158,751,000) available for offset against future profits. Tax losses of HK$6,664,000 were released on deregistration of a subsidiary for the year ended 31 March 2016. No deferred tax asset on the unused tax losses of HK$227,423,000 (2016: HK$158,751,000) has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has other deductible temporary differences of HK$48,362,000 (2016: HK$49,658,000) and HK$133,191,000 (2016: HK$104,662,000) in respect of accelerated accounting depreciation and unrealised fair value losses on derivative financial instruments, respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in respect of the undistributed profits from these PRC subsidiaries in the consolidated financial statements.

34. MAJOR NON-CASH TRANSACTIONS

Details of scrip dividends in lieu of cash are set out in Note 30.

35. PLEDGE OF ASSETS

The carrying values of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	2017	2016
	HK$'000	*HK$'000*
Property, plant and equipment	155,562	180,203
Prepaid lease payments	145,926	150,525
Investment properties	32,000	55,500
Other assets	7,124	7,124
	340,612	393,352

36. COMMITMENTS

(i) Capital commitments

	2017	2016
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated statement of financial position	11,597	49,393

(ii) Operating lease commitments

The Group as lessee

	2017	2016
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases in respect of office premises and warehouses during the year	12,393	12,900

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and warehouses which fall due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	11,237	11,441
In the second to fifth year inclusive	20,298	16,047
	31,535	27,488

Leases are negotiated for terms ranging from one to five years and rental is fixed throughout the lease period and the operating lease payment represents rental payable by the Group for its office premises and warehouse.

Included in the above are lease commitments to related parties as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	1,596	1,262
In the second to fifth year inclusive	446	612
	2,042	1,874

The relevant expenses for the year is disclosed in Note 37(i).

(iii) Operating lease arrangement

The Group as lessor

Rental income earned from investment properties, and plant and machinery during the year was HK$26,703,000 (2016: HK$25,366,000).

At the end of reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	2017	2016
	HK$'000	*HK$'000*
Within one year	20,775	29,058
In the second to fifth year inclusive	5,045	48,728
In more than five years	—	5,755
	25,820	83,541

37. RELATED PARTY DISCLOSURES

The Group entered into the following transactions with related parties:

(i) During the year ended 31 March 2017, the Group paid operating lease rental of HK$984,000 (2016: HK$984,000) to Verdure Enterprises Limited ("Verdure"). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

During the year ended 31 March 2017, the Group paid operating lease rental of HK$816,000 (2016: HK$204,000) to Takemain Development Limited ("Takemain"). Takemain is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

During the year ended 31 March 2016, the Group paid operating lease rental of HK$612,000 to Rich Trade Development Limited ("Rich Trade"). Rich Trade is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

(ii) The remuneration of Directors and other members of key management during the year was as follows:

	2017	2016
	HK$'000	*HK$'000*
Short-term benefits	26,516	24,060
Post employment benefits	302	277
	26,818	24,337

The remuneration of directors and key executives is determined by the Board having regard to the performance of individuals and market trends.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 29, net of cash and cash equivalents disclosed in Note 26, and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, and share buy-backs as well as the issue of new debt or the redemption of existing debts.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	4,598,403	3,850,225
FVTPL		
Restricted bank deposit	60,136	60,324
Derivative financial instrument	529	—
Available-for-sale investments	17,924	1,694
Financial liabilities		
Amortised cost	5,728,947	4,791,708
FVTPL		
Derivative financial instruments	155,124	126,782

(b) Financial risk management objectives and policies

The Group's major financial instruments include restricted bank deposit, trade and bills receivables, other receivables, available-for-sale investments, derivative financial instruments, bank balances and cash, trade and bills payables, other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain subsidiaries of the Group operate outside Hong Kong and usually have their local currency as their functional currency. In general, majority of the purchases and expenses of the Group are denominated in RMB while the sales are denominated in HK$ or US$. During the year, the Group entered certain forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB and US$.

At the end of the reporting period, the carrying amounts of the Group's significant monetary assets that were denominated in a currency other than the functional currency of the relevant entities were as follows:

	2017	**2016**
	HK$'000	*HK$'000*
HK$	1,612	25,227
RMB	115,069	79,207

Because HK$ is pegged against US$ in exchange rate, the above amounts exclude US$/HK$ monetary assets and liabilities where the relevant group entities' functional currency is HK$/US$. The relevant foreign currency balances are disclosed in the respective notes.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2016: 5%) fluctuation of exchange rate of the functional currency of the relevant group entities against RMB. This sensitivity analysis includes only outstanding monetary items where the denomination of the amount is in a currency other than the functional currency of the relevant group entities at the end of the reporting period and adjusts their translation for a 5% exchange rate when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. If the functional currency of the relevant group entities weakens against the foreign currencies by 5%, the Group's post-tax profit for the year would increase by:

	2017	**2016**
	HK$'000	*HK$'000*
Gain in relation to:		
RMB	4,804	3,307

As set out in Note 24, at the end of the reporting period, the Group had outstanding structured foreign currency forward contracts which also expose the Group to currency fluctuation risks.

All structured foreign currency forward contracts are to hedge the rise of RMB against US$. Based on the terms of these contracts, if at 31 March 2017, (i) RMB had weakened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year would have been reduced by HK$64,365,000 (2016: HK$158,378,000) and (ii) RMB had strengthened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year would have been increased by HK$57,115,000 (2016: HK$99,272,000). In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used involves multiple variables and certain variables which are interdependent.

No sensitivity analysis is presented for the restricted bank deposit as the impact of change in exchange rate on the fair value is insignificant. Details of the restricted bank deposit is set out in Note 19.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and balances and bank borrowings (see Notes 26 and 29 for details). The management monitors interest rate exposure and considers hedging significant interest rate exposure. The Group has entered into interest rate swap and interest rate collars (see Note 24) which, however, are not qualified for applying hedge accounting.

All bank borrowings (Note 29) carry variable-rates interest determined by reference to the prevailing market rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and the PBOC Prescribed Rate arising from the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate bank balances, bank borrowings, interest rate swap and interest rate collars at the end of the reporting period. The analysis is prepared assuming the amount of bank balances and borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease by HK$14,812,000 (2016: HK$12,283,000) or increase by HK$14,796,000 (2016: HK$12,283,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate bank balances, bank borrowings, interest rate swap and interest rate collars.

Credit risk

As at 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

In order to manage its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at that end of the reporting period.

	Weighted average effective interest rate	On demand or less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2017
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017							
Non-derivative financial liabilities							
Trade, bills and other payables	—	264,000	277,840	134,738	305	676,883	676,881
Bank borrowings	2.43%	2,606,930	153,875	—	2,418,512	5,179,317	5,052,066
		2,870,930	431,715	134,738	2,418,817	5,856,200	5,728,947
Derivative — net settlement							
Structured foreign currency forward contracts	—	7,407	22,248	74,970	47,967	152,592	151,037
Interest rate swap	—	—	264	696	1,879	2,839	2,761
Interest rate collars	—	—	—	123	1,235	1,358	1,326
		7,407	22,512	75,789	51,081	156,789	155,124

	Weighted average effective interest rate	On demand or less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2016
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016							
Non-derivative financial liabilities							
Trade, bills and other payables	—	185,429	191,482	49,183	—	426,094	426,094
Bank borrowings	2.36%	1,704,119	122,671	23,245	2,678,087	4,528,122	4,365,614
		1,889,548	314,153	72,428	2,678,087	4,954,216	4,791,708
Derivative — net settlement							
Structured foreign currency forward contracts	—	2,538	4,817	40,201	76,020	123,576	122,150
Interest rate swap	—	—	299	788	3,673	4,760	4,632
		2,538	5,116	40,989	79,693	128,336	126,782

Bank loans with a repayable on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2017 and 31 March 2016, the aggregate outstanding principal amounts of these bank loans amounted to HK$1,934,301,000 and HK$1,602,700,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be fully repaid in accordance with the scheduled repayment dates set out in the loan agreements, as follows.

The following table disclose the maturity analysis in accordance with scheduled repayment dates set out in the facility letters.

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017							
Bank borrowings	2.23%	843,089	952,108	60,269	87,421	1,942,887	1,934,301
2016							
Bank borrowings	2.54%	682,223	556,134	275,262	101,933	1,615,552	1,602,700

The amounts included above for variable interest rate instruments is subjected to change of interest rates differ to those determined at the end of the reporting period.

(c) Fair value measurement of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of financial instruments that are measured at fair value on a recurring basis

The Group's restricted bank deposit, derivative financial instruments and one of the available-for-sale investments are measured at fair value at the end of each reporting period. The Group's available-for-sale investment of HK$2,014,000 at 31 March 2017 (2016: HK$1,694,000) is measured based on quoted price from a financial institution. The valuation technique uses observable and unobservable inputs. As the changes in any of those observable or unobservable inputs in the valuation would not lead to significant impact to the financial results of the Group, fair value hierarchy, key inputs used in the valuation technique and sensitivity of the fair value measurement to change in those inputs are not presented. The following table gives information about how the fair values of restricted bank deposit and derivative financial instruments are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ liabilities	Fair value as at 31 March 2017	Fair value as at 31 March 2016	Fair value hierarchy	Valuation technique and key inputs
Restricted bank deposit *(note 1)*	Assets — HK$60,136,000	Assets — HK$60,324,000	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rates, time to maturity, notional amount, payout amount for each settlement of the related structured foreign currency forward contract, risk-free rate of US$ and RMB and the average implied volatility of the exchange rate as at valuation date
Structured foreign currency forward contracts classified as derivative financial instruments *(note 2)*	Liabilities — HK$151,037,000 (Not designated for hedging)	Liabilities — HK$122,150,000 (Not designated for hedging)	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rates, time to maturity, notional amount, payout amount for each settlement, risk-free rate of US$ and RMB and the average implied volatility of the exchange rate as at valuation date
Interest rate collars classified as derivative financial instruments *(note 3)*	Asset — HK$529,000 Liability — HK$1,326,000 (Both not designated for hedging)	Assets — Nil Liabilities — Nil	Level 3	Discounted cash flow method and Black-Scholes Model The key inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity, risk-free rate and the average implied volatility of the interest rate as at valuation date
Interest rate swap classified as derivative financial instrument *(note 4)*	Liability — HK$2,761,000 (Not designated for hedging)	Liability — HK$4,632,000 (Not designated for hedging)	Level 2	Discounted cash flow method The key inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity, risk-free rate

note 1: The higher the average implied volatility of the exchange rate used, the lower the fair value. Changes in the average implied volatility of the exchange rate used will have insignificant impact on the fair value of restricted bank deposits.

note 2: The higher the average implied volatility of the exchange rate used, the lower the fair value. If the average implied volatility of the exchange rate is increased/decreased by 5% and held other variables constant, the Group's post-tax profit for the year would have been decreased/increased by HK$389,000/HK$733,000 (2016: HK$1,904,000/HK$1,960,000) respectively. If RMB weakened/strengthened against US$ by 5% and all variables were held constant, the Group's post-tax profit for the year would decrease by HK$64,365,000/increase by HK$57,115,000 (2016: decrease by HK$158,378,000/increase by HK$99,272,000) respectively. Due to the terms of the contracts, changes in the inputs adopted in the valuation model would lead to asymmetric changes in the fair values.

note 3: The higher the average implied volatility of the interest rate used, the lower the fair value. Changes in the average implied volatility of the interest rate used will have insignificant impact on the fair value of the interest rate collars.

note 4: The discounted cash flow method uses only observable market inputs.

There are no transfers among the different levels of the fair value hierarchy for both years.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value hierarchy

	31 March 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Restricted bank deposit	—	—	60,136	60,136
Derivative financial instrument	—	—	529	529
Available-for-sale investment				
Unlisted trust fund	2,014	—	—	2,014
Financial liabilities at FVTPL				
Derivative financial instruments	—	2,761	152,363	155,124

	31 March 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Restricted bank deposit	—	—	60,324	60,324
Available-for-sale investment				
Unlisted trust fund	1,694	—	—	1,694
Financial liabilities at FVTPL				
Derivative financial instruments	—	4,632	122,150	126,782

Reconciliation of Level 3 fair value measurements of financial assets

	Restricted bank deposit	Structured foreign currency forward contracts	Interest rate collars	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	94,396	(92,808)	—	1,588
Amount received during the year	—	(4,221)	—	(4,221)
Placement of restricted bank deposits	61,922	—	—	61,922
Withdrawal of restricted bank deposits	(94,550)	—	—	(94,550)
Fair value gains (losses) (note):				
— realised	765	66,053	—	66,818
— unrealised	(1,599)	(91,174)	—	(92,773)
Exchange difference	(610)	—	—	(610)
At 31 March 2016	60,324	(122,150)	—	(61,826)
Amount paid during the year	—	98,225	—	98,225
Fair value losses (note):				
— realised	—	(94,861)	—	(94,861)
— unrealised	(188)	(32,251)	(797)	(33,236)
At 31 March 2017	60,136	(151,037)	(797)	(91,698)

note: The amount is included in net gain on fair value change of derivative financial instruments and restricted bank deposits of "other gains and losses" in Note 7.

Fair value measurements and valuation process

The Group determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 input is not available, the Group engages an independent qualified professional valuer not connected with the Group to perform the valuation for financial instruments that are measured at fair value on a recurring basis. The financial controller works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

The Group engages Roma (2016: Greater China Appraisal Limited), an independent qualified professional valuer not connected with the Group, to perform the valuations of the restricted bank deposit, structured foreign currency forward contracts, interest rate collars and interest rate swap required for financial reporting purposes, including Level 2 and 3 fair value measurements of financial instruments. As a part of the valuation process, the financial controller reports the findings to the Board semi-annually, in line with the Group's interim and annual reporting dates.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage: Attributable to the Group 2017	Attributable to the Group 2016	Held by the Company 2017	Held by the Company 2016	Held by subsidiaries 2017	Held by subsidiaries 2016	Principal activities
Best Linkage (Macao Commercial Offshore) Limited	Macau	MOP100,000	100	100	—	—	100	100	Trading of knitted fabric
Champion Fortune Asia Limited	Hong Kong	Ordinary HK$2	100	100	—	—	100	100	Trading of dyed yarn
Elite Sound Investment Limited	Hong Kong	Ordinary HK$1	100	100	—	—	100	100	Investment holding
FG Holdings *(note v)*	British Virgin Islands	Ordinary US$100	51	51	—	—	100	100	Investment holding
FG International *(note v)*	Hong Kong	Ordinary HK$5,000,000	51	51	—	—	100	100	Trading of garment products
Global Honour Investments Limited	British Virgin Islands	Ordinary US$1	100	100	—	—	100	100	Investment holding
Glory Time Limited (deregistered on 15 September 2016) *(note v)*	Hong Kong	Ordinary HK$100	—	35.7	—	—	—	70	Trading of garment products
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	100	100	—	—	100	100	Provision of management services
PT. Victory Apparel Semarang *(note v)*	Indonesia	Ordinary US$300,000	51	51	—	—	100	100	Manufacture of garment products
Sure Strategy	British Virgin Islands	Ordinary US$100	51	51	—	—	51	51	Investment holding
Value Plus (Macao Commercial Offshore) Limited *(note v)*	Macau	MOP100,000	51	51	—	—	100	100	Procurement of fabric
Victory Apparel (Jordan) Manufacturing Company Limited (disposed on 1 August 2016) *(note v)*	Jordan	Ordinary JD50,000	—	51	—	—	—	100	Manufacture of garment products
Victory City Company Limited	Hong Kong	Ordinary HK$10 Deferred HK$8,000,000 *(note i)*	100	100	—	—	100	100	Trading of knitted fabric
VC Holdings	British Virgin Islands	Ordinary US$6	100	100	100	100	—	—	Investment holding
VC Investments	British Virgin Islands	Ordinary US$1	100	100	100	100	—	—	Investment holding
VC Overseas	British Virgin Islands	Ordinary US$2 Preference US$3,300 *(note ii)*	100	100	—	—	100	100	Investment holding
江門市新會區冠華針織廠有限公司 ("Xinhui Victory City") *(note iii)*	PRC	US$57,694,165	100	100	—	—	100	100	Knitting, dyeing and finishing of fabric
江門錦豐科技纖維有限公司 *(note iii)*	PRC	US$8,230,182	100	100	—	—	100	100	Dyeing of yarn and provision of related subcontracting services
Jiangmen V-Apparel Manufacturing Ltd. *(notes iii and v)*	PRC	Registered HK$31,260,000	51	51	—	—	100	100	Manufacture of garment products
福之源貿易(上海)有限公司 (notes iii and v)	PRC	Registered RMB1,000,000	51	51	—	—	100	100	Trading of garment products and accessories
江門市冠達化工科技有限公司 (formerly known as 江門市冠達紡織材料有限公司) *(note iii)*	PRC	*(note iv)*	90	90	—	—	90	90	Mixing of chemicals
Nanjing Synergy Textiles Limited *(note iii)*	PRC	Registered US$39,000,000	100	100	—	—	100	100	Manufacture and trading of yarn

notes:

(i) The deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of respective subsidiaries or to participate in any distribution on a winding-up.

(ii) The redeemable non-voting preference shares of VC Overseas, which are held by Messrs. Li Ming Hung, Chen Tien Tui and Choi Lin Hung, all being Directors, carry minimal right to receive notice of or to attend or vote at any general meeting of VC Overseas. On a winding-up, the holders of the redeemable non-voting preference shares shall be entitled to receive a return of the capital paid up on the redeemable non-voting preference shares held by them respectively.

(iii) These companies are wholly foreign owned enterprise incorporated in the PRC with limited liability.

(iv) The company is a co-operative joint venture established in the PRC. The verified paid up registered capital of 江門市冠達化工科技有限公司 (formerly known as 江門市冠達紡織材料有限公司) was approximately RMB46,000,000 as at 31 March 2017 and 2016.

(v) The companies are subsidiaries of Sure Strategy, over which the Company has indirect control.

None of the subsidiaries had any debt securities subsisting at 31 March 2017 or at any time during the year.

The above table only lists those subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or net assets of the Group. In addition, the Group has 25 (2016: 29) inactive/dormant subsidiaries. To give details of these inactive/dormant subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sure Strategy	British Virgin Islands	49%	49%	(97,298)	7,568	51,625	148,466
Individually immaterial subsidiaries with non-controlling interests						5,529	5,568
						57,154	154,034

Summarised consolidated financial information in respect of Sure Strategy which has material non-controlling interests, and its subsidiaries is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

Sure Strategy

	2017	2016
	HK$'000	*HK$'000*
Current assets	323,516	478,384
Non-current assets	148,723	189,250
Current liabilities	412,984	411,838
Non-current liabilities	4,448	4,283
Equity attributable to owners of the Company	3,182	103,047
Non-controlling interests	51,625	148,466
Revenue	685,351	810,899
Expenses, other income and other gains or losses	(882,944)	(793,313)
(Loss) profit for the year	(197,593)	17,586
Other comprehensive income for the year	887	3,105
Total comprehensive (expense) income for the year	(196,706)	20,691
(Loss) profit for the year attributable to non-controlling interests	(97,298)	7,568
Total comprehensive (expense) income for the year attributable to the non-controlling interests	(96,841)	9,288
Dividends paid to non-controlling interests	—	—

41. INFORMATION OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 March 2017 is as follows:

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Investment in subsidiaries	2,512,334	2,512,334
Property, plant and equipment	402	625
	2,512,736	2,512,959
Current assets		
Prepayment and other receivables	2,772	1,645
Amounts due from subsidiaries	2,016,653	1,156,369
Bank balances	1,065	388
	2,020,490	1,158,402
Current liabilities		
Other payables	3,442	3,011
Amounts due to subsidiaries	211,302	113,302
Dividend payable	191	197
	214,935	116,510
Net current assets	1,805,555	1,041,892
Net assets	4,318,291	3,554,851
Capital and reserves		
Share capital	41,937	22,722
Share premium and reserves *(note)*	4,276,354	3,532,129
Total equity	4,318,291	3,554,851

note:

	Share premium	Capital redemption reserve	Share option reserve	Dividend reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	1,882,360	39	25,093	—	1,273,716	3,181,208
Profit for the year	—	—	—	—	198,448	198,448
2015 Final dividend declared *(Note 11)*	—	—	—	55,938	(55,938)	—
2015 Special dividend declared *(Note 11)*	—	—	—	74,585	(74,585)	—
2016 Interim dividend declared *(Note 11)*	—	—	—	87,348	(87,348)	—
Issue of shares under scrip dividend for 2015 final dividend	15,341	—	—	(15,492)	—	(151)
Issue of shares under scrip dividend scheme for 2015 special dividend	17,272	—	—	(17,442)	—	(170)
Issue of shares under scrip dividend for 2016 interim dividend	1,851	—	—	(1,876)	—	(25)
Dividends paid in cash	—	—	—	(183,061)	—	(183,061)
Issue of shares upon exercise of share options	2,570	—	(601)	—	—	1,969
Issue of shares upon subscription of shares *(Note 30)*	333,911	—	—	—	—	333,911
At 31 March 2016	2,253,305	39	24,492	—	1,254,293	3,532,129
Profit for the year	—	—	—	—	158,584	158,584
2016 Final dividend declared *(Note 11)*	—	—	—	27,722	(27,722)	—
Issue of shares under scrip dividend for 2016 final dividend	7,096	—	—	(7,332)	—	(236)
Dividends paid in cash	—	—	—	(20,390)	—	(20,390)
Recognition of equity-settled share-based payments *(Note 32)*	—	—	21,246	—	—	21,246
Rights issue *(Note 30)*	332,621	—	—	—	—	332,621
Issue of shares upon subscription of shares *(Note 30)*	252,400	—	—	—	—	252,400
At 31 March 2017	2,845,422	39	45,738	—	1,385,155	4,276,354

42. EVENT AFTER REPORTING PERIOD

The following event took place after the reporting period:

On 25 April 2017, the Company entered into a subscription agreement with Pearl Garden and Madian Star, both are Shareholders, as subscribers in relation to the issue of convertible bonds in an aggregate principal amount of HK$400,000,000 due on the date falling 24 months after the date of issuance of the convertible bonds. The initial conversion price is HK$0.30 per conversion Share, subject to adjustments set out in the instruments constituting the convertible bonds. The convertible bonds bear interest at the rate of 5% per annum payable semi-annually. Upon full conversion of the convertible bonds at the initial conversion price, a total of 1,333,333,334 conversion Shares will be issued. Details of this issuance of convertible bonds are set out in the circular of the Company dated 13 June 2017.

3. WORKING CAPITAL OF THE GROUP

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including available credit facilities, internally generated funds, and the cash flow impact of issue of the Convertible Bonds, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

4. INDEBTEDNESS OF THE GROUP

Bank borrowings and bank overdrafts

As at the close of business on 31 May 2017, the Group had outstanding bank borrowings and bank overdrafts of approximately HK$4,892.1 million and approximately HK$92.4 million respectively. These borrowings comprised (i) secured bank borrowings of approximately HK$314.6 million, (ii) unsecured bank borrowings of approximately HK$4,577.5 million and (iii) unsecured bank overdrafts of approximately HK$92.4 million. All the bank borrowings and bank overdrafts were guaranteed by the entities within the Group.

The aforesaid secured bank borrowings with an aggregate amount of approximately HK$314.6 million were secured by the Group's property, plant and equipment, prepaid lease payments, investment property, and insurance policies (included in other assets in the consolidated statement of financial position of the Group) as at 31 May 2017.

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables, at the close of business on 31 May 2017, the Group did not have any debt securities issued or outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency denominated amounts have been translated into HK$ at the rates of exchange prevailing at the close of business on 31 May 2017.

5. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material change in the financial or trading position or outlook of the Company since 31 March 2017, being the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

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 30 April 2017 of the property.

22/F., China Overseas Building,
139 Hennessy Road, Wanchai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

24 July 2017

Victory City International Holdings Limited
Unit D, 3rd Floor,
Winfield Industrial Building,
3 Kin Kwan Street, Tuen Mun,
New Territories, Hong Kong

Dear Sir/Madam,

Re: Various Properties in the People's Republic of China and Hong Kong

In accordance with your instructions for us to value the properties held by Victory City International Holdings Limited (the "**Company**") and/or its subsidiaries (together with the Company referred to as the "**Group**") in the People's Republic of China (the "**PRC**") and 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 values of the properties as at 30 April 2017 (the "**Date of Valuation**") for the purpose of incorporation in the circular of the Company dated 24 July 2017.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties 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

For the property nos.1 and 2, due to the specific purpose for which most of the buildings and structures of the properties 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 ("**DRC**") 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, DRC 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.

We have valued the property interest in property nos. 3, 4 and 5 by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

3. TITLE INVESTIGATION

For the properties in the PRC, We have been provided with copies of extracts of title documents relating to the properties in the PRC. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and the Group's PRC legal advisor, Jian Da Law Firm (廣東景達律師事務所) regarding the titles of the properties in the PRC. All documents have been used for reference only.

For the property in Hong Kong, we have carried out title search at the land registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

We have relied on the advice given by the Group and its PRC legal advisor that the Group has valid and enforceable titles to the properties which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sell the properties in the market in their existing states 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 properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, 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 properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. 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 properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are 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 properties 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 valuations 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 valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations are 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, Rule 11 on Asset Valuations of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong and in accordance with 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.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and advised by the Group, the potential tax liabilities which would arise on the disposal of the property interests held by the Group in the PRC, for the amount of market value minus the cost of purchase, comprise value-added tax, Chinese land appreciation tax (ranging from 30% to 60% of the appreciated amount), Chinese corporate income tax and Chinese stamp duty (0.05% of the consideration stated in sales contract). The exact amount of the tax payable upon realization of the relevant properties will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal by presenting the relevant transaction documents. Further, as advised by the Company, the likelihood of the potential tax liability being crystallized is remote as the Company has no intention to dispose of them.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi ("**RMB**") and Hong Kong Dollars ("**HK$**"). The exchange rate adopted in our valuation is RMB1 = HK$1.13 which was the approximate exchange rate prevailing as at 30 April 2017.

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Frank F Wong
BA (Business Admin in Acct/Econ) MSc (Real Est)
MRICS Registered Valuer MAusIMM ACIPHE
Director

Note: Mr. Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 18 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 10 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

SUMMARY OF VALUES

Property held by the Group in the PRC

No.	**Property**	**Market Value in Existing State as at 30 April 2017**
1.	An industrial complex located at Jinfeng Industrial Development District, Luokeng Village, Xinhui District, Jiangmen City, Guangdong Province, The PRC 中國廣東省江門市新會區羅坑鎮錦豐工業開發區之工業項目	RMB263,940,000 (equivalent to approximately HK$298,252,200)
2.	An industrial complex located at No. 2 Shengan Avenue, Binjiang Economy Development Zone, Nanjing City, Jiangsu Province, The PRC 中國江蘇省南京市濱江經濟開發區盛安大道2號之工業項目	RMB367,300,000 (equivalent to approximately HK$415,049,000)
	Total:	**RMB631,240,000 (equivalent to approximately HK$713,301,200)**

Property held by the Group in Hong Kong

No.	Property	Market Value in Existing State as at 30 April 2017
3.	Factory Units A to H on 3rd Floor, Units G and H on 4th Floor, Unit F on 10th Floor and Car Parking Space Nos. L13, P2 and P8, Winfield Industrial Building, No. 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong	HK$87,000,000
4.	The whole of 19th Floor and Car Parking Spaces Nos. P21–P25 on 2nd Floor, Ford Glory Plaza, Nos. 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	HK$110,000,000
5.	House No. 23 of Moritz Avenue, Valais II, Valais, No. 33 Kwu Tung Road, Sheung Shui, New Territories, Hong Kong	HK$32,000,000
	Total:	**HK$229,000,000**

VALUATION CERTIFICATE

Property held by the Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 April 2017
1.	An industrial complex located at Jinfeng Industrial Development District, Luokeng Village, Xinhui District, Jiangmen City, Guangdong Province, The PRC 中國廣東省江門市新會區羅坑鎮錦豐工業開發區之工業項目	The property comprises 19 parcels of land with a total site area of approximately 451,325 sq.m. and 48 buildings and various structures erected thereon which were completed in about 1981 to 2008. The buildings have a total gross floor area of approximately 299,827.41 sq.m. The buildings mainly include industrial buildings, staff quarters and stores, etc. The land use rights of the property have been granted for various terms with a latest till 25 January 2064 and have been allocated for various terms with a latest till 1 December 2053.	As advised by the Group, the property was occupied by the Group for production, ancillary office, staff quarters and storage purposes.	RMB263,940,000 (equivalent to approximately HK$298,252,200)

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates — Xin Guo Yong (新國用) (2007) Di Nos. 01102, 01103 and 01104 issued by the People's Government of Jiangmen City (江門市人民政府), the land use rights with a total site area of approximately 65,677 sq.m. has been granted to Jiangmen V-Apparel Manufacturing Ltd. ("**Jiangmen V-Apparel**") (江門冠暉製衣有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 50 years expiring on 17 July 2050 for industrial use. The details of which are as follows:

Land Use Rights Certificate No.	Site Area (sq.m.)	Usage	Expiry Date
Xin Guo Yong (2007) Di No. 01102	50,092	Industrial	17 July 2050
Xin Guo Yong (2007) Di No. 01103	2,750	Industrial	17 July 2050
Xin Guo Yong (2007) Di No. 01104	12,835	Industrial	17 July 2050
Total	**65,677**		

2. Pursuant to 2 State-owned Land Use Rights Certificates -Xin Guo Yong (2014) Di No. 00552 and Xin Guo Yong (新國用) (2012) Di No. 03453 issued by the People's Government of Jiangmen City (江門市人民政府), the land use rights with a total site area of approximately 94,148 sq.m. has been granted to 江門市冠達紡織材料有限公司 (now renamed as 江門市冠達化工科技有限公司) ("**Guanda**"), an indirect non-wholly owned subsidiary of the Company, for terms of expiring on 10 November 2062 and 25 January 2064 for industrial use.

Land Use Rights Certificate No.	Site Area (sq.m.)	Usage	Expiry Date
Xin Guo Yong (2014) Di No. 00552	75,848	Industrial	25 January 2064
Xin Guo Yong (2012) Di No. 03453	18,300	Industrial	10 November 2062
Total	**94,148**		

3. Pursuant to a State-owned Land Use Rights Certificate — Xin Guo Yong (新國用) (2003) Di No. 00742 issued by the People's Government of Jiangmen City (江門市人民政府), the land use rights with a total site area of approximately 47,458 sq.m. has been granted to 江門市錦豐科技纖維有限公司 ("**Jin Feng**"), an indirect wholly-owned subsidiary of the Company, for terms of expiring on 27 February 2053 for industrial use.

4. Pursuant to 11 State-owned Land Use Rights Certificates — Xin Guo Yong (2007) Di Nos. 01105, 01106, 01107, 01108, 01109, 01110, Xin Guo Yong (2006) Di Nos. 01743, 01744, 01745, 02626 and Xin Guo Yong (2014) Di No. 04523 issued by the People's Government of Jiangmen City (江門市人民政府), the land use rights with a total site area of approximately 134,339 sq.m. has been granted to 江門市新會區冠華針織廠有限公司 ("**Xinhui Victory City**"), an indirect wholly-owned subsidiary of the Company, for various terms o for industrial use. The details of which are as follows:

Land Use Rights Certificate No.	Site Area (sq.m.)	Usage	Expiry Date
Xin Guo Yong (2007) Di No. 01105	21,452	Industrial	15 July 2044
Xin Guo Yong (2007) Di No. 01106	3,478	Industrial	15 July 2044
Xin Guo Yong (2007) Di No. 01107	18,360	Industrial	16 July 2051
Xin Guo Yong (2007) Di No. 01108	5,792	Industrial	16 July 2051
Xin Guo Yong (2007) Di No. 01109	1,972	Industrial	16 July 2051
Xin Guo Yong (2007) Di No. 01110	16,612	Industrial	16 December 2047
Xin Guo Yong (2006) Di No. 01743	1,041	Industrial	21 July 2056
Xin Guo Yong (2006) Di No. 01744	12,915	Industrial	21 July 2056
Xin Guo Yong (2006) Di No. 01745	19,064	Industrial	21 July 2056
Xin Guo Yong (2008) Di No. 02626	31,735	Industrial	30 May 2058
Xin Guo Yong (2014) Di No. 04523	1,918	Industrial	2 December 2049
Total	**134,339**		

5. Pursuant to a Collectively-Owned Land Use Rights Certificate — Xin Ji Yong (新集用) (2004) Di No. 00355 issued by the People's Government of Jiangmen City (江門市人民政府), the land use rights with a total site area of approximately 109,652 sq.m. has been allocated to 江門豐華針織廠有限公司 ("**Feng Hua**"), an indirect wholly-owned subsidiary of the Company, for a term of expiring on 1 December 2053 for industrial use.

6. Pursuant to a Collectively-Owned Land Use Rights Certificate — Xin Fu Guo Yong (新府國用) (1997) Zi Di No. 0700254 issued by the People's Government of Xinhui City (新會市人民政府), the land use rights with a total site area of approximately 51 sq.m. has been allocated to Xinhui Victory City, an indirect wholly-owned subsidiary of the Company for industrial use.

7. Pursuant to 7 Real Estate Ownership Certificates (房地產權證) — Yue Fang Di Zheng Zi Di (粵房地權證字第) (Nos. C7047122 to C7047128 issued by the People's Government of Guangdong Province (廣東省人民政府), the buildings with a total gross floor area of approximately 37,392 sq.m. are owned by Jiangmen V-Apparel. The details of which are as follows:

No.	Certificate No.	Gross Floor Area (sq.m.)
1.	Yue Fang Di Zheng Zi Di No. C7047122	4,000
2.	Yue Fang Di Zheng Zi Di No. C7047123	4,623.6
3.	Yue Fang Di Zheng Zi Di No. C7047124	4,623.6
4.	Yue Fang Di Zheng Zi Di No. C7047125	180
5.	Yue Fang Di Zheng Zi Di No. C7047126	1,944
6.	Yue Fang Di Zheng Zi Di No. C7047127	3,764.8
7.	Yue Fang Di Zheng Zi Di No. C7047128	18,256
	Total	**37,392**

8. Pursuant to 4 Real Estate Ownership Certificates (房地產權證) — Yue Fang Di Zheng Zi Di Nos. C5042319, C5042320, C5042321 and C7047371 (粵房地證字第) issued by the People's Government of Guangdong Province (廣東省人民政府), the buildings with a total gross floor area of approximately 49,539.03 sq.m. are owned by Xinhui Victory City. The details of which are as follows:

No.	Certificate No.	Gross Floor Area (sq.m.)
1.	Yue Fang Di Zheng Zi Di No. C5042319	7,639.00
2.	Yue Fang Di Zheng Zi Di No. C5042320	9,514.80
3.	Yue Fang Di Zheng Zi Di No. C5042321	10,378.80
4.	Yue Fang Di Zheng Zi Di No. C7047371	22,006.43
	Total	**49,539.03**

9. Pursuant to 10 Real Estate Ownership Certificates (房地產權證) — Yue Fang Di Quan Zheng Jiang Men Zi Di (粵房地權證江門字第) No. 020039709, Yue Fang Di Zheng Zi Di (粵房地證字第) Nos. C6083309, C6083311, C6083312, C6083313, C6083314, C6083315, C6083316, C6083317 and C7047369 issued by People's Government of Guangdong Province (廣東省人民政府), the buildings with a total gross floor area of approximately 118,468.49 sq.m. are owned by Feng Hua. The details of which are as follows:

No.	**Certificate No.**	**Gross Floor Area (sq.m.)**
1.	Yue Fang Di Quan Zheng Jiang Men Zi Di No. 020039709	15,262.93
2.	Yue Fang Di Zheng Zi Di No. C6083309	27,860.56
3.	Yue Fang Di Zheng Zi Di No. C6083311	17,388.07
4.	Yue Fang Di Zheng Zi Di No. C6083312	4,757.31
5.	Yue Fang Di Zheng Zi Di No. C6083313	17,280.00
6.	Yue Fang Di Zheng Zi Di No. C6083314	890.56
7.	Yue Fang Di Zheng Zi Di No. C6083315	780.16
8.	Yue Fang Di Zheng Zi Di No. C6083316	26,388.07
9.	Yue Fang Di Zheng Zi Di No. C6083317	6,087.82
10.	Yue Fang Di Zheng Zi Di No. C7047369	1,773.01
	Total	**118,468.49**

10. Pursuant to 25 Real Estate Ownership Certificates (房地產權證) — Yue Fang Di Zheng Zi Di (粵房地證字第) Nos. 0931936, 2550092, C4110668, C4110669, C4110670, C4110671, C4110672, C4110673, C4110674, C4110675, C4110676, C4110677, C4110678, C4110679, C4110682, C4110683, C5035518, C5035519, C5035520, C5035789, C5035790, C5035792, C5035793, C4117004 and C5035791 issued by the People's Government of Xinhui Province (新會市人民政府), Nos. C7047122 to C7047128 issued by the People's Government of Guangdong Province (廣東省人民政府), the buildings with a total gross floor area of approximately 42,417.04 sq.m. are owned by Xinhui Victory City. The details of which are as follows:

No.	**Certificate No.**	**Gross Floor Area (sq.m.)**
1.	Yue Fang Di Zheng Zi Di No. 0931936	102.00
2.	Yue Fang Di Zheng Zi Di No. 2550092	2,360.30
3.	Yue Fang Di Zheng Zi Di No. C4110668	2,091.02
4.	Yue Fang Di Zheng Zi Di No. C4110669	795.27
5.	Yue Fang Di Zheng Zi Di No. C4110670	766.26
6.	Yue Fang Di Zheng Zi Di No. C4110671	930.00
7.	Yue Fang Di Zheng Zi Di No. C4110672	1,051.55
8.	Yue Fang Di Zheng Zi Di No. C4110673	182.23
9.	Yue Fang Di Zheng Zi Di No. C4110674	1,472.00
10.	Yue Fang Di Zheng Zi Di No. C4110675	2,767.00
11.	Yue Fang Di Zheng Zi Di No. C4110676	1,136.00
12.	Yue Fang Di Zheng Zi Di No. C4110677	2,264.00
13.	Yue Fang Di Zheng Zi Di No. C4110678	1,472.00
14.	Yue Fang Di Zheng Zi Di No. C4110679	592.36
15.	Yue Fang Di Zheng Zi Di No. C4110682	774.00
16.	Yue Fang Di Zheng Zi Di No. C4110683	155.02
17.	Yue Fang Di Zheng Zi Di No. C5035518	2,247.08
18.	Yue Fang Di Zheng Zi Di No. C5035519	686.00
19.	Yue Fang Di Zheng Zi Di No. C5035520	2,228.07
20.	Yue Fang Di Zheng Zi Di No. C5035789	3,435.00

No.	Certificate No.	Gross Floor Area (sq.m.)
21.	Yue Fang Di Zheng Zi Di No. C5035790	1,860.00
22.	Yue Fang Di Zheng Zi Di No. C5035792	3,628.00
23.	Yue Fang Di Zheng Zi Di No. C5035793	498.00
24.	Yue Fang Di Zheng Zi Di No. C4117004	2,360.30
25.	Yue Fang Di Zheng Zi Di No. C5035791	6,563.58
	Total	**42,417.04**

11. Pursuant to 2 Real Estate Ownership Certificates (房地產權證) — Yue Fang Di Zheng Zi Di (粵房地證字第) Nos. C7047370 and C6083318 issued by the People's Government of Guangdong Province (廣東省人民政府), the buildings with a total gross floor area of approximately 52,010.85 sq.m. are owned by 江門市錦豐科技纖維有限公司. The details of which are as follows:

No.	Certificate No.	Gross Floor Area (sq.m.)
1.	Yue Fang Di Zheng Zi Di No. C7047370	34,730.85
2.	Yue Fang Di Zheng Zi Di No. C6083318	17,280.00
	Total	**52,010.85**

12. In the valuation of this property, we have attributed no commercial value to the portion of the property as the land is a collectively-owned land. However, for reference purpose, we are of the opinion that the reference value as at the date of valuation would be RMB197,410,000 (equivalent to approximately HK$223,073,300) assuming all relevant title certificates have been obtained and the portion of the property could be freely transferred.

13. The status of title in accordance with the information provided by the Group is as follows:

State-owned Land Use Rights Certificates	Yes
Collectively-owned Land Use Rights Certificates	Yes
Real Estate Ownership Certificates	Yes

14. Our inspection was performed by Mr. Frank F. Wong, a Chartered Surveyor and Registered Valuer, in June 2017.

15. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, *inter alia*, the following information:

    a. Jiangmen V-Apparel, Guanda, Xinhui Victory City and Jin Feng have legally obtained the State-owned Land Use Rights Certificates and are entitled to use, transfer, lease, mortgage and or dispose the property with its residual term of the land use rights at no extra land premium or other onerous payable to the government;

    b. Feng Hua and Xinhui Victory City have legally obtained the Collectively-owned Land Use Rights Certificates and are entitled to use of the property with its residual term of the land use rights. In the event of any transfer, lease, mortgage and/or dispose of the property with its residual term of the land use rights, consent may need to be obtained from the village committee and subject to the approval of the relevant authorities which may incurred extra land premium or other onerous payable to the government; and

    c. The existing use of the property is in compliance with the local planning regulations and has been approved by relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 April 2017
2.	An industrial complex located at No. 2 Shengan Avenue, Binjiang Economy Development Zone, Nanjing City, Jiangsu Province, The PRC 中國江蘇省南京市濱江經濟開發區盛安大道2號之工業項目	The property comprises a parcel of land with a site area of approximate 333,259.8 sq.m. and 9 industrial buildings and ancillary structures erected thereon which were completed in about 2006. The property has a total gross floor area of approximately 82,797.51 sq.m. The buildings mainly include industrial buildings, warehouses and dormitory buildings. The land use rights of the property have been granted for a term of 50 years expiring on 27 December 2056 for industrial use.	As advised by the Group, the property is currently occupied owner-occupied for production, warehouse and staff quarter purposes.	RMB367,300,000 (equivalent to approximately HK$415,049,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Jiang Ning Guo Yong (江寧國用) (2007) Zi Di No 28930, the land use rights with a site area of approximately 333,259.8 sq.m. have been granted to Nanjing Synergy Textiles Limited ("**Nanjing Synergy**") (南京新一棉紡織印染有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 50 years expiring on 27 December 2056 for industrial use.

2. Pursuant to 9 Building Ownership Certificates — Jiang Ning Fang Quan Zheng Dong Shan Zi Di (江寧房權證東山字第) Nos. JN0080834, JN0080835, JN0080836, JN0080837, JN0080838, JN0080839, JN0080840, JN0080841 and JN0080842, 9 industrial buildings with a total gross floor area of approximately 82,797.51 sq.m. are owned by Nanjing Synergy. The details of which are as follows:

No.	**Certificate No.**	**Gross Floor Area (sq.m.)**
1.	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JN0080834	28,496.35
2.	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JN0080835	28,496.35
3.	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JN0080836	4,073.62
4.	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JN0080837	4,073.62
5.	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JN0080838	4,073.62
6.	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JN0080839	3,740.95
7.	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JN0080840	3,281.00
8.	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JN0080841	3,281.00
9.	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JN0080842	3,281.00
	Total	**82,797.51**

3. The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Stated-owned Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes

4. Our inspection was performed by Mr. Frank F. Wong, a Chartered Surveyor and Registered Valuer, in June 2017.

5. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, *inter alia*, the following information:

   a. Nanjing Synergy has legally obtained the State-owned Land Use Rights certificates and is entitled to use, transfer, lease, mortgage and or dispose the property with its residual term of the land use rights at no extra land premium or other onerous payable to the government; and

   b. The existing use of the property is in compliance with the local planning regulations and has been approved by relevant authority.

VALUATION CERTIFICATE

Property held by the Group in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 April 2017
3.	Factory Units A, B, D to H on 3rd Floor, Units G and H on 4th Floor, Unit F on 10th Floor and Car Parking Space, Nos. L13, P2 and P8, Winfield Industrial Building, No. 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong	The property comprises 7 units on the 3rd floor, 2 units on 4th floor and 1 unit on 10th floor and also 3 car parking spaces on ground floor of a 13-storey industrial building completed in about 1979. The units have a total gross floor area of approximately 37,611 sq.ft.. The property is held under a New Grant No. 2244 for a term of 99 years commencing from 1 July 1898.	As advised by the Group, the property is currently occupied by the Group for ancillary office, showroom and car parking purposes.	HK$87,000,000

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is Victory City Company Limited, an indirectly wholly-owned subsidiary of the Company.

Unit	Memorial No.	Date	Use
Unit A on 3/F	TM784028	25 April 1997	Industrial
Unit B on 3/F	TM784029	25 April 1997	Industrial
Unit D on 3/F	TM784030	25 April 1997	Industrial
Unit E on 3/F	TM784031	25 April 1997	Industrial
Unit F on 3/F	TM784032	25 April 1997	Industrial
Unit G on 3/F	TM784033	25 April 1997	Industrial
Unit H on 3/F	TM784034	25 April 1997	Industrial
Unit G on 4/F	TM784035	25 April 1997	Industrial
Unit H on 4/F	TM784036	25 April 1997	Industrial
Unit F on 10/F	TM784037	25 April 1997	Industrial

Parking Space No.	Memorial No.	Date	Use
L13 on G/F	TM993086	30 May 2001	Car Parking Space
P2 on G/F	TM784036	25 April 1997	Car Parking Space
P8 on G/F	TM784029	25 April 1997	Car Parking Space

2. The property is subject to a Mutual Covenant vide Memorial No. TM195929 dated 10 December 1979.

3. The property is subject to a Management Agreement in favour of Hsin Chong Real Estate Management & Agency Ltd. vide Memorial No. TM195930 dated 10 December 1979.

4. The property is subject to an Occupation Permit No. NT141/79 vide Memorial No. TM195201 dated 2 November 1979.

5. Our inspection was performed by Mr. Frank F. Wong, a Chartered Surveyor and Registered Valuer, in June 2017.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 April 2017
4.	The whole of 19th Floor and Car Parking Spaces Nos. P21–P25 on 2nd Floor, Ford Glory Plaza, Nos. 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong 1,093/30,000th 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 property comprises the whole of 19th Floor and 5 car parking spaces on the 2nd Floor of a 29-storey industrial building completed in 2008. The property has a gross floor area of approximately 10,377 sq.ft. (964.05 sq.m.) excluding the car parks. The property is held under Conditions of Sale No. UB4152 for a term expiring on 30 June 2047, subject to an annual Government Rent equivalent to 3% of the rateable value for the property.	As advised by the Group, the property is occupied by the Group for industrial and ancillary office user. A portion of the property is subject to two tenancy agreements (see Notes 4 and 5).	HK$110,000,000

Notes:

1. The registered owner of the property is Ford Glory International Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 09011901410272 dated 29 December 2008 and vide Memorial Nos. 09020901960012, 09020901960028, 09020901960042, 09020901960035 and 09020901960050 all dated 16 January 2009.

2. The property is subject to an Occupation Permit vide Memorial No. 08120202080191 dated 17 November 2008.

3. The property is subject to the Deed of Mutual Covenant and the Management Agreement with Plans in favour of Savills Billion Property Management Limited (Manager) vide Memorial No. 09011901410282 dated 29 December 2008.

4. According to the Tenancy Agreement dated 22 July 2014 provided by the Group, a portion of the property of gross floor area of approximately 3,900 sq.ft. has been leased to United Gainer Investment Limited for a term of two years commencing on 22 July 2014 and expiring on 21 July 2016 for a monthly rent of HK$70,000 inclusive of management fees, rates and Government Rent. According to the Supplement to Rental Agreement dated 22 July 2014, the term has been extended, from 22 July 2016 to 21 July 2017, with all other terms unchanged.

5. Pursuant to the Tenancy Agreement dated 3 October 2016 provided by the Group, a portion of the property of gross floor area of approximately 1,200 sq. ft. has been tenanted to Treasure Success International Limited for a term of 2 years commencing on 3 October 2016 and expiring on 2 October 2018 for a monthly rent of HK$21,600 inclusive of management fees, rates and Government Rent.

6. Our inspection was performed by Mr. Frank F. Wong, a Chartered Surveyor and Registered Valuer, in June 2017.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 April 2017
5.	House No. 23 of Moritz Avenue, Valais II, Valais, No. 33 Kwu Tung Road, Sheung Shui, New Territories, Hong Kong 3,751/1,486,670th equal and undivided shares of and in the Remaining Portion of Lot No. 2242 in Demarcation District 95 and the extension thereto	The property comprises a 3-storey semi-detached residential house, completed in 2009. The property has a saleable area of about 1,845 sq.ft. with a carport of 257 sq.ft., roof area of about 780 sq.ft. and a garden area of about 1,277 sq.ft.. The property is held under New Grant No. 20225 for a term of 50 years commencing on 29 June 2006.	As advised by the Group, the property was vacant.	HK$32,000,000

Notes:

1. The registered owner of the property is Billion Colour Investment Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 12032801070129 dated 15 March 2012.

2. The property is subject to the Deed of Grant of Rights of Way vide Memorial No. 11121400580016 dated 1 December 2011.

3. The property is subject to the Deed of Grant of Easements vide Memorial No. 11121400580022 dated 1 December 2011.

4. The property is subject to the Deed of Mutual Covenant and the Management Agreement with plans in favour of Maison Platinum Service Company Limited (Manager) vide Memorial No. 11121500590024 dated 1 December 2011.

5. The property is subject to the Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited for all monies vide Memorial No. 12032801070137 dated 15 March 2012.

6. Our inspection was performed by Mr. Frank F. Wong, a Chartered Surveyor and Registered Valuer, in June 2017.

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 Company. 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.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Subscribers) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Subscribers) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to Madian Star, one of the Subscribers, contained in this circular has been supplied by the sole director of Madian Star. The sole director of Madian Star accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group and Pearl Garden) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group and Pearl Garden) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

The information in relation to Pearl Garden, one of the Subscribers, contained in this circular has been supplied by the sole director of Pearl Garden. The sole director of Pearl Garden accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group and Madian Star) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group and Madian Star) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

2. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and assuming the Subscriptions have completed and immediately following the exercise in full of the conversion rights attaching to the Convertible Bonds was/will be, as follows:

Authorised share capital:		*HK$*
40,000,000,000	Shares	400,000,000.00
Issued and fully paid share capital:		
4,193,744,205	Shares in issue as at the Latest Practicable Date	41,937,442.05
1,333,333,334	New Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds	13,333,333.34
5,527,077,539		55,270,775.39

All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

All of the 1,333,333,334 Conversion Shares will rank *pari passu* in all respects with each other, including in particular, as to dividend, voting rights and return on capital, and will rank *pari passu* in all respects with all Shares in issue as at the date of allotment and issue of the Conversion Shares. The Conversion Shares will be listed and traded on the Stock Exchange. There are no arrangements under which future dividends are waived or agreed to be waived.

Since 31 March 2017 (the date to which the latest published audited financial statements of the Company were made up) to the Latest Practicable Date, the Company has not issued nor agreed to issue any new Shares (other than under the Subscription Agreement as amended by the Supplemental Deed).

(b) Share Options

Details of the outstanding Share Options as at the Latest Practicable Date were as follows:

Name of grantee	Number of underlying Shares subject to outstanding Share Options	Date of grant	Exercise price *HK$ per Share*	Exercise period
Directors				
Executive Directors				
Mr. Li	—	—	—	—
Mr. Chen	—	—	—	—
Mr. Choi Lin Hung	15,721,500	12 October 2016	0.373	12 October 2016 to 11 October 2021
Mr. Lee Yuen Chiu Andy	—	—	—	—
Independent non-executive Directors				
Mr. Kan Ka Hon	—	—	—	—
Mr. Phaisalakani Vichai	—	—	—	—
Mr. Kwok Sze Chi	—	—	—	—
Others	267,265,500	12 October 2016	0.373	12 October 2016 to 11 October 2021
	282,987,000			

Save as disclosed above, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 October 2016	0.348
30 November 2016	0.277
30 December 2016	0.255
27 January 2017	0.285
28 February 2017	0.260
31 March 2017	0.270
28 April 2017	0.270
31 May 2017	0.295
30 June 2017	0.280
10 July 2017 (Last Trading Day)	0.265
Latest Practicable Date	0.270

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.246 on 16 January 2017 and HK$0.440 on 20 June 2017, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company or its associated corporations

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, to be notified to the Company and the Stock Exchange or were required to be disclosed under the Takeovers Code were as follows:

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 % of the relevant class of issued share capital of the Company/ associated corporation
Mr. Li	The Company	Founder of a trust	1,309,398,667 Shares (L) *(Note 2)*	—	31.22%
	Victory City Company Limited *(Note 20)*	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	—	50%
	Victory City Overseas Limited *(Note 20)*	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	—	39.4%
Mr. Chen	The Company	Founder of a trust	1,309,398,667 Shares (L) *(Note 3)*	—	31.22%
	The Company	Beneficial owner	3,375,000 Shares (L)	—	0.08%
	Victory City Company Limited *(Note 20)*	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	—	50%
	Victory City Overseas Limited *(Note 20)*	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	—	39.4%
Mr. Choi Lin Hung	The Company	Beneficial owner	12,750,000 Shares (L)	—	0.30%
	The Company	Beneficial owner	—	15,721,500 Shares (L) *(Note 4)*	0.37%
	Victory City Overseas Limited *(Note 20)*	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	—	21.2%

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 % of the relevant class of issued share capital of the Company/ associated corporation
	Sure Strategy Limited *(Note 20)*	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) *(Note 5)*	—	49%
	Ford Glory Holdings Limited *(Note 20)*	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) *(Note 6)*	—	100%
	Brilliant Fashion Inc. *(Note 20)*	Interest of controlled corporation	100 common shares of no par value (L) *(Note 10)*	—	100%
	Ford Glory International Limited *(Note 20)*	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) *(Note 11)*	—	100%
	Mayer Apparel Limited *(Note 20)*	Interest of controlled corporation	51 ordinary shares of HK$1.00 each (L) *(Note 9)*	—	51%
	PT. Victory Apparel Semarang *(Note 20)*	Interest of controlled corporation	300,000 ordinary shares of US$1.00 each (L) *(Note 8)*	—	100%
	Surefaith Limited *(Note 20)*	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) *(Note 11)*	—	100%
	Value Plus (Macao Commercial Offshore) Limited *(Note 20)*	Interest of controlled corporation	Quota capital of MOP100,000 (L) *(Note 12)*	—	100%
	福之源貿易(上海)有限公司 *(Note 20)*	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) *(Note 7)*	—	100%
	Gojifashion Inc. *(Note 21)*	Interest of controlled corporation	100 common shares of no par value (L) *(Note 10)*	—	50%
	Happy Noble Holdings Limited *(Note 20)*	Interest of controlled corporation	70 ordinary shares of US$1.00 each (L) *(Note 19)*	—	70%
	Sky Winner Investment Limited *(Note 20)*	Interest of controlled corporation	100 ordinary shares of HK$1.00 each (L) *(Note 13)*	—	100%
	福源創業信息咨詢服務(深圳)有限公司 *(Note 20)*	Interest of controlled corporation	Registered capital of HK$3,000,000 (L) *(Note 7)*	—	100%
	Rocwide Limited *(Note 20)*	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) *(Note 11)*	—	100%
	Jiangmen V-Apparel Manufacturing Ltd. *(Note 20)*	Interest of controlled corporation	Registered capital of HK$31,260,000 (L) *(Note 14)*	—	100%
	One Sino Limited *(Note 20)*	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) *(Note 11)*	—	100%
	Ford Glory (Cambodia) Manufacturing Limited *(Note 20)*	Interest of controlled corporation	Registered capital of US$1,000,000 (L) *(Note 15)*	—	100%
	藝田貿易(上海)有限公司 *(Note 20)*	Interest of controlled corporation	Registered capital of HK$5,000,000 (L) *(Note 16)*	—	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 % of the relevant class of issued share capital of the Company/ associated corporation
	Talent Partner Holdings Limited *(Note 20)*	Interest of controlled corporation	51 ordinary shares of US$1.00 each (L) *(Note 17)*	—	51%
	Green Expert Global Limited *(Note 20)*	Interest of controlled corporation	1 ordinary share of US$1.00 each (L) *(Note 18)*	—	100%
	Major Time Limited *(Note 20)*	Interest of controlled corporation	1 ordinary share of HK$1.00 each (L) *(Note 18)*	—	100%
	Just Perfect Holdings Limited *(Note 20)*	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) *(Note 11)*	—	100%
Mr. Phaisalakani Vichai	The Company	Beneficial owner	1,236,000 Shares (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. Pearl Garden 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 include (i) 642,732,000 Shares held by Pearl Garden; and (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds to be issued to Pearl Garden.

3. These Shares were held by Madian Star. Madian Star 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. These Shares include (i) 642,732,000 Shares held by Madian Star; and (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds to be issued to Madian Star.

4. On 12 October 2016, Mr. Choi Lin Hung was granted 15,000,000 options under the Share Option Scheme to subscribe for 15,000,000 Shares, exercisable at a price of HK$0.391 per Share during the period from 12 October 2016 to 11 October 2021. Upon completion of the Rights Issue, the number of options owned by Mr. Choi Lin Hung was adjusted to 15,721,500 to subscribe for 15,721,500 Shares, exercisable at an adjusted price of HK$0.373 per Share during the period from 12 October 2016 to 11 October 2021.

5. These shares were held by Merlotte Enterprise Limited. Sure Strategy Limited was owned as to 49% by Merlotte Enterprise Limited, a company wholly owned by Mr. Choi Lin Hung, and as to 51% owned by Victory City Investments Limited, a wholly-owned subsidiary of the Company.

6. These ordinary shares were held by Sure Strategy Limited.

7. This registered capital was beneficially owned by Ford Glory International Limited which is a wholly-owned subsidiary of Ford Glory Holdings Limited.

8. These shares were beneficially owned by Surefaith Limited which is a wholly-owned subsidiary of Ford Glory Holdings Limited.

9. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.

10. These common shares were beneficially owned by Ford Glory Holdings Limited.

11. These shares were beneficially owned by Ford Glory Holdings Limited.

12. This quota capital was beneficially owned by Ford Glory Holdings Limited.

13. These shares were held by Happy Noble Holdings Limited.

14. The registered capital was beneficially owned as to 40% by Ford Glory Holdings Limited and as to 60% by Rocwide Limited.

15. This registered capital was held by One Sino Limited.

16. This registered capital was beneficially owned by Sky Winner Investment Limited.

17. Talent Partner Holdings Limited is 51% owned by Ford Glory Holdings Limited.

18. This common stock or ordinary share, as the case may be, was beneficially owned by Talent Partner Holdings Limited.

19. Happy Noble Holdings Limited is 70% owned by Ford Glory Holdings Limited

20. These companies are subsidiaries of the Company.

21. 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had an interest or short position in any Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which was required to be (i) 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 he was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, entered in the register referred to therein; (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules; or (iv) disclosed under the Takeovers Code.

(b) Substantial shareholders and other persons' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person/entity	**Number of Shares** *(Note 1)*	**Capacity**	**Approximate % of interest**
Pearl Garden	1,309,398,667 (L)	Beneficial owner *(Note 2)*	31.22%
Cornice Worldwide Limited	1,309,398,667 (L)	Interest of controlled corporation *(Note 2)*	31.22%
Madian Star	1,309,398,667 (L)	Beneficial owner *(Note 3)*	31.22%
Yonice Limited	1,309,398,667 (L)	Interest of controlled corporation *(Note 3)*	31.22%
Fiducia Suisse SA	2,618,797,334 (L)	Trustee *(Notes 2 and 3)*	62.44%
Mr. David Henry Christopher Hill	2,618,797,334 (L)	Interest of controlled corporation *(Note 6)*	62.44%
Ms. Rebecca Ann Hill	2,618,797,334 (L)	Interest of spouse *(Note 7)*	62.44%
Ms. Ho Yuen Mui Shirley	1,309,398,667 (L)	Interest of spouse *(Note 4)*	31.22%
Ms. Or Kwai Ying	1,312,773,667 (L)	Interest of spouse *(Note 5)*	31.30%

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. Pearl Garden 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 and Cornice Worldwide Limited. These Shares include (i) 642,732,000 Shares held by Pearl Garden; and (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds to be issued to Pearl Garden.

3. These Shares were held by Madian Star. Madian Star 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 and Yonice Limited. These Shares include (i) 642,732,000 Shares held by Madian Star; and (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds to be issued to Madian Star.

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 Mr. David Henry Christopher Hill.

7. Ms. Rebecca Ann Hill is the wife of Mr. David Henry Christopher Hill.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no person (other than a Director or chief executive of the Company) who had an interest or a 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.

5. SHAREHOLDINGS OF AND DEALINGS IN THE SECURITIES OF THE COMPANY AND THE SUBSCRIBERS AND PERSONS ACTING IN CONCERT WITH ANY OF THEM AND OTHER ARRANGEMENT

As at the Latest Practicable Date,

(a) the Company did not hold, control or have direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities ("**Relevant Securities**") in any member of the Concert Group and it has not dealt for value in any such securities of any member of the Concert Group during the Relevant Period;

(b) (i) save as disclosed under the paragraphs headed "Share capital and Share Options" and "Disclosure of interests" in this appendix; and (ii) save for taking up the respective pro rata entitlement of 214,244,000 Shares by Pearl Garden (which 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), 214,244,000 Shares by Madian Star (which 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), 1,125,000 Shares by Mr. Chen, 4,250,000 Shares by Mr. Choi Lin Hung and 412,000 Shares by Mr. Phaisalakani Vichai under the Rights Issue, none of the Directors or chief executive of the Company held, controlled or had direction over any Relevant Securities in any member of the Concert Group or any Relevant Securities in the Company and none of them has dealt for value in any such securities of any member of the Concert Group or any such securities of the Company during the Relevant Period;

(c) none of the advisers to the Company as specified in class (2) of the definition of "associates" under the Takeovers Code, held, controlled or had direction over any Relevant Securities in the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(d) save for the Subscription Agreement and the Supplemental Deed and the transactions contemplated thereunder, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of an associate under the Takeovers Code during the Relevant Period;

(e) none of the subsidiaries of the Company and none of the pension funds of the Company and/or its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company owned or controlled any Shares, warrants, options or derivatives of the Company or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(f) (i) save as disclosed under the paragraphs headed "Share capital and Share Options" and "Disclosure of interests" in this appendix; and (ii) save for taking up the respective pro rata entitlement of 214,244,000 Shares by Pearl Garden (which 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), 214,244,000 Shares by Madian Star (which 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), 1,125,000 Shares by Mr. Chen, 4,250,000 Shares by Mr. Choi Lin Hung and 412,000 Shares by Mr. Phaisalakani Vichai under the Rights Issue, none of the Directors and their respective associates owned or controlled any Relevant Securities in the Company, and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(g) save as disclosed under the paragraph headed "SGM" in the letter from the Board in this circular, no person will be required to abstain from voting on the resolutions approving the Supplemental Deed, transactions contemplated thereunder and the New Whitewash Waiver at the SGM;

(h) none of the Independent Shareholders had irrevocably committed themselves to vote in favour of or against the resolutions approving the Supplemental Deed, the transactions contemplated thereunder and the New Whitewash Waiver at the SGM;

(i) neither the Company nor any of the Directors has borrowed or lent any Shares or any Relevant Securities;

(j) no benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Supplemental Deed, the transactions contemplated thereunder and the New Whitewash Waiver;

(k) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Supplemental Deed, the transactions contemplated thereunder and the New Whitewash Waiver or otherwise connected with the Supplemental Deed, transactions contemplated thereunder and the New Whitewash Waiver; and

(l) save and except the Subscription Agreement and the Supplemental Deed, there was no material contract entered into by any member of the Subscribers in which a Director had a material personal interest.

As at the Latest Practicable Date, there were no agreement, arrangement or understanding (including any compensation arrangement) between any member of the Concert Group on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Proposed Amendment or the New Whitewash Waiver.

As at the Latest Practicable Date, (i) save as disclosed under the paragraph headed "Effect on the shareholding structure" in the letter from the Board in this circular and the paragraphs headed "Share capital and Share Options" and "Disclosure of interests" in this appendix; and (ii) save for taking up the respective pro rata entitlement of 214,244,000 Shares by Pearl Garden, 214,244,000 Shares by Madian Star and 1,125,000 Shares by Mr. Chen under the Rights Issue:

(a) none of the members of the Concert Group holds, controls or has direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or holds, controls or has direction over any Relevant Securities in the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(b) none of the members of the Concert Group borrows or lends any Shares during the Relevant Period;

(c) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and any member of the Concert Group during the Relevant Period;

(d) there is no arrangement or agreement to which any member of the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposed Amendment or the New Whitewash Waiver;

(e) none of the members of the Concert Group has received any irrevocable commitment to vote for or against the Proposed Amendment or the New Whitewash Waiver during the Relevant Period; and

(f) none of the directors of the Concert Group owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company, and none of them has dealt for value in any such securities of the Company during the Relevant Period.

As at the Latest Practicable Date, no Convertible Bonds or Convertible Shares to be issued upon conversion of the Convertible Bonds to be acquired by the Concert Group pursuant to the Subscriptions will be transferred, charged or pledged to any other person. At present, there is no agreement, arrangement or understanding and any related charges or pledges exist which may result in the transfer of voting rights in such Convertible Bonds or Convertible Shares to be issued upon conversion of the Convertible Bonds.

6. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any member of the Group or any associated companies of the Company which (a) (including continuous and fixed term contracts) have been entered into or amended within the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) are not determinable by any member of the Group within one year without payment of compensation (other than statutory compensation).

8. 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 date of the Announcement and up to the Latest Practicable Date and which are or may be material:

(a) the placing and subscription agreement dated 14 September 2015 entered into between the Company, Pearl Garden and Madian Star as vendors and Kingston Securities Limited as placing agent, in respect of (i) the placing of up to 186,460,000 placing shares held by Pearl Garden and Madian Star in aggregate at HK$1.00 per placing share to not less than six placees who are independent of the Company and its connected persons; and (ii) the allotment and issue of subscription shares equivalent to the number of placing shares to Pearl Garden and Madian Star at HK$1.00 per subscription share;

(b) the placing agreement dated 23 October 2015 (the "**DBS Placing Agreement**") entered into between the Company, Pearl Garden and Madian Star as vendors and DBS Asia Capital Limited as placing agent, in respect of the placing of up to 100,000,000 placing shares held by Pearl Garden and Madian Star in aggregate at HK$1.00 per placing share to not less than six placees who are independent of the Company and its connected persons;

(c) the subscription agreement dated 23 October 2015 entered into between the Company, Pearl Garden and Madian Star, in respect of the allotment and issue of subscription shares equivalent to the number of placing shares placed pursuant to the DBS Placing Agreement to Pearl Garden and Madian Star at HK$1.00 per subscription share;

(d) the placing and subscription agreement dated 1 February 2016 entered into between the Company, Pearl Garden and Madian Star as vendors and Kingston Securities Limited as placing agent (as supplemented by an agreement dated 2 February 2016 entered into between the parties thereto), in respect of (i) the placing of up to 86,000,000 placing shares held by Pearl Garden and Madian Star in aggregate at HK$0.65 per placing share to not less than six placees who are independent of the Company and its connected persons; and (ii) the allotment and issue of subscription shares equivalent to the number of placing shares to Pearl Garden and Madian Star at HK$0.65 per subscription share;

(e) the placing agreement dated 18 March 2016 entered into between the Company and Kingston Securities Limited as placing agent, in respect of the placing of up to 500,000,000 new shares at the price in the range of HK$0.52 to HK$0.65 per placing share to not less than six placees who are independent of the Company and its connected persons (together with a letter from Kingston Securities Limited to the Company on 29 April 2016 and a letter from the Company to Kingston Securities Limited confirming the placing price of HK$0.52 per placing share);

(f) the sale and purchase agreement dated 13 July 2016 entered into between Victory City Investments Limited as vendor, a direct wholly-owned subsidiary of the Company, and Mr. Lee Kian Tjiauw as purchaser, in respect of the disposal of 51% interest in RS International Holdings Limited, of which RS International Holdings Limited and its subsidiaries are principally engaged in the sale and manufacture of garment products in Jordan, at cash consideration of HK$98,000,000;

(g) the underwriting agreement dated 8 November 2016 entered into between the Company and Kingston Securities Limited in relation to the underwriting arrangement in respect of the Rights Issue;

(h) the Subscription Agreement; and

(i) the Supplemental Deed.

9. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of 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 2017, being the date to which the latest published audited financial statements of the Company were made up.

None of the Directors was or will be given any compensation for loss of office or otherwise in connection with the Proposed Amendment, transactions contemplated thereunder and the New Whitewash Waiver.

10. LITIGATION

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

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The following sets out the qualifications of the experts who have given opinions or advice as contained in this circular:

Name	**Qualification**
Gram Capital Limited	A licensed corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Roma Appraisals Limited ("**Roma**")	Independent property valuer

(b) As at the Latest Practicable Date, each of Gram Capital and Roma did not have any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

(c) As at the Latest Practicable Date, each of Gram Capital and Roma had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 March 2017 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

(d) Each of Gram Capital and Roma had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any business day from the date of this circular up to and including the date of the SGM at the Company's head office and 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 and will also be available for inspection on the website of the SFC at www.sfc.hk and the website of the Company at http://www.victorycity.com.hk from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum of association and articles of association of each of the Subscribers;

(c) the annual reports of the Company for the three years ended 31 March 2015, 2016 and 2017;

(d) the letter from the Board, the text of which is set out on pages 6 to 30 of this circular;

(e) the letter from the Independent Board Committee, the text of which is set out on pages 31 to 32 of this circular;

(f) the letter from Gram Capital, the text of which is set out on pages 33 to 42 of this circular;

(g) the property valuation report from Roma in respect of the valuation of properties held by the Group, the text of which is set out on pages 113 to 131 of this circular;

(h) the material contracts as referred to in the paragraph headed "Material contracts" in this appendix;

(i) the written consent from Gram Capital and Roma as referred to in the paragraph headed "Qualifications and consents of experts" in this appendix; and

(j) this circular.

13. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business in Hong Kong is situated at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong.

(b) The company secretary of the Company is Mr. Lee Chung Shing, who is an associate member of the Chartered Institute of Management Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

(c) The registered address of the Pearl Garden, one of the Subscribers, is at 3rd Floor, J & C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands. Mr. Chen is the sole director of Pearl Garden. Pearl Garden 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. The correspondence address of the Pearl Garden in Hong Kong is at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong.

(d) The registered address of the Madian Star, one of the Subscribers, is at 3rd Floor, J & C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands. Mr. Li is the sole director of Madian Star. Madian Star 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. The correspondence address of the Madian Star in Hong Kong is at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong.

(e) Mr. Li and Mr. Chen, are parties acting in concert with the Subscribers. The correspondence address of both Mr. Li and Mr. Chen is at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong.

(f) The Hong Kong branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(g) The Independent Financial Adviser is Gram Capital and its registered office is situated at Room 1209, 12/F, Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong.

(h) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

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 the special general meeting (the "**SGM**") 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 Friday, 11 August 2017 at 10:00 a.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the supplemental deed (the "**Supplemental Deed**") dated 10 July 2017 and entered into between the Company as issuer, Pearl Garden Pacific Limited and Madian Star Limited as subscribers (the "**Subscribers**") (a copy of which is produced to the SGM marked "**A**" and signed by the chairman of the SGM for identification purposes) in relation to changing the conversion period of the conversion bonds in an aggregate principal amount of HK$400,000,000 (the "**Convertible Bonds**") from commencing from the Business Day immediately following the first anniversary of the date of first issue of the Convertible Bonds (the "**Issue Date**") to commencing from the Issue Date, and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified; and

   (b) subject to and conditional upon the fulfilment of the conditions in the Supplemental Deed, the directors of the Company (the "**Directors**") be and are hereby authorised to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the Supplemental Deed and the transactions contemplated thereunder."

2. "**THAT**, subject to and conditional upon the passing of the resolution set out as Resolution No. 1 in the notice convening the SGM, the waiver (the "**New Whitewash Waiver**") granted or to be granted by the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any of his delegates) pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") in respect of the obligations of the Subscribers to make a mandatory general offer for all the securities of the Company

* *For identification purposes only*

other than those already owned or agreed to be acquired by the Subscribers and parties acting in concert with any of them pursuant to Rule 26 of the Takeovers Code which would otherwise arise as a result of the allotment and issue of the Conversion Shares pursuant to the terms of the Convertible Bonds as amended by the Supplemental Deed be and is hereby approved and any one Director be and is hereby authorised to do all such things and take all such action as he may consider to be necessary or desirable to implement any of the matters relating to or incidental to the New Whitewash Waiver."

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

Hong Kong, 24 July 2017

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 share 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 (i.e. 10:00 a.m. on Wednesday, 9 August 2017, Hong Kong time) 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.

5. Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the SGM will be on Monday, 7 August 2017. In order to be eligible to attend and vote at the SGM, unregistered holders of the shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 7 August 2017.

6. A form of proxy for use at the SGM is enclosed with the circular to the shareholders of the Company.

7. The ordinary resolutions set out above will be determined by way of a poll.

8. 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.