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VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 539)

**TOP-UP PLACING OF EXISTING SHARES
AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE
AND
RESUMPTION OF TRADING**

On 18 December 2009, the Agreement was entered into between the Vendors, the Company and the Purchasers, pursuant to which the Vendors have conditionally agreed to sell 35,000,000 Placing Shares held by the Vendors to the Purchasers who are Independent Third Parties. The placing price is HK\$1.35 per Placing Share. Completion of the Placing is not subject to any condition precedent.

Under the Agreement, the Vendors had conditionally agreed to subscribe for the Subscription Shares (the number of which is equal to the number of Placing Shares sold by the Vendors) at HK\$1.35 per Subscription Share. The Subscription is subject to various conditions set out below under the heading “Conditions of the Subscription”.

The price per Placing Share represents (i) a discount of approximately 9.40% to the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on 18 December 2009 (being the Last Trading Day); (ii) a discount of approximately 16.15% to the average closing price of HK\$1.61 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 14.88% to the average closing price of HK\$1.586 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Placing Shares represent (i) 3.41% of the existing issued share capital of the Company and (ii) approximately 3.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The shareholding of the Vendors and parties acting in concert with them will decrease from approximately 35.39% to approximately 31.97% immediately after completion of the Placing and will increase to approximately 34.22% immediately after completion of the Subscription and thereby triggering a general offer obligation under the Takeovers Code. An application will be made by the Vendors to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription. An application will be made to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 28 August 2009.

The gross proceeds and net proceeds from the Subscription will amount to HK\$47.25 million and approximately HK\$47.15 million respectively. The Company intends to use the proceeds for general working capital of the Group.

At the request of the Company, trading in the Shares was suspended from 9:30 a.m. on 21 December 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 22 December 2009.

1. THE PLACING

The Agreement dated 18 December 2009 was entered into between the Vendors, the Company and the Purchasers.

Vendors:

- (1) Pearl Garden Pacific Limited, a company incorporated in the BVI and is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for the family of Mr. Li Ming Hung, an executive Director. Pearl Garden Pacific Limited is a substantial Shareholder. As confirmed by Pearl Garden Pacific Limited, Pearl Garden Pacific Limited, together with parties acting in concert with it, owned 362,907,000 Shares, representing approximately 35.39% of the existing issued share capital of the Company as at the Last Trading Day; and
- (2) Madian Star Limited, a company incorporated in the BVI and is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for the family of Mr. Chen Tien Tui, an executive Director. Madian Star Limited

is a substantial Shareholder. As confirmed by Madian Star Limited, Madian Star Limited, together with parties acting in concert with it, owned 362,907,000 Shares, representing approximately 35.39% of the existing issued share capital of the Company as at the Last Trading Day.

Purchasers:

- (1) Senrigan Master Fund, a company incorporated in the Cayman Islands;
- (2) Joy Benefit Limited, a company incorporated in the BVI which is ultimately owned by Mr. Ng Sai Kit;
- (3) Ajia Partners Asia Absolute Return Master Fund Limited, a company incorporated in Hong Kong;
- (4) MCP Asia Funds SPC, a company incorporated in Hong Kong; and
- (5) Ventures Oriental Limited, a company incorporated in the BVI which is ultimately owned by Mr. Chan Wing Luk.

As at the date of this announcement, each of the Purchasers and their beneficial owners is an Independent Third Party and is independent of, and not acting in concert with, the Vendors and parties acting in concert with any of them.

Number of Placing Shares:

The Vendors and the Purchasers have agreed to place or purchase the following number of Shares, representing in aggregate approximately 3.41% of the existing issued share capital as at the date of this announcement or approximately 3.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription:

Vendor	Number of Placing Shares to be placed
Pearl Garden Pacific Limited	17,500,000
Madian Star Limited	17,500,000

Purchaser	Number of Placing Shares to be purchased
Senrigan Master Fund	8,000,000
Joy Benefit Limited	12,000,000
Ajia Partners Asia Absolute Return Master Fund Limited	8,000,000
MCP Asia Funds SPC	2,000,000
Ventures Oriental Limited	5,000,000

Placing price:

HK\$1.35 per Placing Share.

This price was agreed after arm's length negotiations between the Vendors, the Company and the Purchasers with reference to recent market prices of the Shares. This price represents (i) a discount of approximately 9.40% to the closing price of HK\$1.49 per Share on the Last Trading Day; (ii) a discount of approximately 16.15% to the average closing price of HK\$1.61 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 14.88% to the average closing price of HK\$1.586 per Share as quoted on the Stock Exchange from 7 December 2009 to 18 December 2009, both dates inclusive, being the last ten trading days up to and including the Last Trading Day.

Completion of the Placing:

Completion of the Placing will not be subject to any condition precedent. Under the Agreement, the Placing is agreed to be completed on the first business day on which the Shares resume trading immediately after the date of the Agreement, or such other time as the Vendors and the Purchasers shall agree, which in any event shall not be later than 30 December 2009.

Rights of the Placing Shares:

The Placing Shares will be sold by the Vendors free of liens, charges, encumbrances and any third party rights and together with all rights attaching thereto at the date of completion of the Placing.

2. THE SUBSCRIPTION

The Agreement dated 18 December 2009 was entered into between the Vendors, the Company and the Purchasers.

Subscriber: The Vendors

Issuer: The Company

Number of Subscription Shares:

The Company will allot and issue and the Vendors will subscribe for the following number of Shares, representing in aggregate approximately 3.41% of the existing issued share capital of the Company as at the date of this announcement or approximately 3.30% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

Vendor	Number of Subscription Shares
Pearl Garden Pacific Limited	17,500,000
Madian Star Limited	17,500,000

Subscription price:

HK\$1.35 per Subscription Share, which is the equivalent of the purchase price per Placing Share. The net price per Subscription Share is approximately HK\$1.347.

Mandate to allot and issue new Shares:

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 28 August 2009. The Company is authorised to issue 205,098,999 Shares under such mandate and the Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the date of the Agreement. Accordingly, the issue of the Subscription Shares is not subject to Shareholders' approval.

Ranking:

The Subscription Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of such allotment and issue pursuant to the Agreement.

Conditions of the Subscription:

The Subscription is conditional upon, among other conditions:

- (i) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Subscription Shares;
- (ii) the Executive granting a waiver to the Vendors to the effect that neither the Vendors nor any party acting in concert with them will be obliged to make a general offer for the Shares under the Takeovers Code as a result of the Subscription; and
- (iii) completion of the Placing pursuant to the Agreement.

None of the above conditions can be waived by the parties to the Agreement.

The shareholding of the Vendors and parties acting in concert with them will decrease from approximately 35.39% to approximately 31.97% immediately after completion of the Placing and will increase to approximately 34.22% immediately after completion of the Subscription and thereby triggering a general offer obligation under the Takeovers Code. An application will be made by the Vendors to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription:

Completion of the Subscription will take place on the next business day following the day on which the conditions referred to above are fulfilled and in any event no later than 31 December 2009.

If the conditions to the Subscription are not fulfilled by 30 December 2009 (or such later time or date as may be agreed by the Vendors and the Company in writing), the Subscription will lapse.

3. CHANGES TO THE SHAREHOLDINGS AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

The shareholding structure of the Company immediately before the Placing, immediately after the Placing but before the Subscription, and immediately after the Placing and the Subscription are as follows:

Shareholder	Existing shareholding (Note 1)		Immediately after the Placing but before the Subscription		Immediately after the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Vendors						
Pearl Garden Pacific Limited	166,878,000	16.27	149,378,000	14.56	166,878,000	15.74
Madian Star Limited	166,878,000	16.27	149,378,000	14.56	166,878,000	15.74
Parties acting in concert with the Vendors						
Mr. Li Ming Hung	13,740,000	1.34	13,740,000	1.34	13,740,000	1.29
Mr. Chen Tien Tui	15,411,000	1.51	15,411,000	1.51	15,411,000	1.45
<i>Vendors and parties acting in concert with any of them</i>	362,907,000	35.39	327,907,000	31.97	362,907,000	34.22
Purchasers						
Senrigan Master Fund	–	–	8,000,000	0.78	8,000,000	0.75
Joy Benefit Limited	2,650,000	0.26	14,650,000	1.43	14,650,000	1.38
Ajia Partners Asia Absolute Return Master Fund Limited	9,250,000	0.90	17,250,000	1.68	17,250,000	1.63
MCP Asia Funds SPC	–	–	2,000,000	0.20	2,000,000	0.19
Ventures Oriental Limited	35,814,829	3.49	40,814,829	3.98	40,814,829	3.85
<i>Purchasers (Note 2)</i>	47,714,829	4.65	82,714,829	8.07	82,714,829	7.80
<i>Public</i>	614,873,170	59.96	614,873,170	59.96	614,873,170	57.98
Total	1,025,494,999	100	1,025,494,999	100	1,060,494,999	100

Notes:

1. The number of existing Shares held by the Shareholders is based on the register of members of the Company as at 18 December 2009.
2. As at the date of this announcement, there are no Shareholders who are parties acting in concert with the Purchasers and no Purchasers are parties acting in concert with each other.

4. REASONS FOR THE SUBSCRIPTION

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and shareholders' base of the Company. The Directors (including the independent non-executive Directors) consider the terms of the Agreement and the Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Shareholders are concerned.

On 16 January 2009, the Company issued 341,831,666 Shares at a subscription price of HK\$0.439 each, by way of rights issue in the proportion of one rights share for every two Shares held on 22 December 2008. The net proceeds of approximately HK\$148 million was used as general working capital of the Company. As a result of the rights issue, the total number of issued shares of the Company increased to 1,025,494,999. Save as disclosed above, the Company had not conducted any equity fund raising exercises in the 12 months preceding the date of this announcement.

5. USE OF PROCEEDS

The gross proceeds under the Subscription are HK\$47.25 million. The net proceeds, after deducting related professional fees and all related expenses which will be borne by the Company under the Subscription, are estimated to be approximately HK\$47.15 million. The Company intends to use the proceeds for general working capital of the Group.

6. GENERAL INFORMATION

The Group is principally engaged in the production and sale of knitted fabric, dyed yarn and garment products.

7. RESUMPTION

At the request of the Company, trading in the Shares was suspended from 9:30 a.m. on 21 December 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 22 December 2009.

8. DEFINITIONS

The following defined terms are used in this announcement:

“acting in concert”	has the meaning as ascribed to it under the Takeovers Code
“Agreement”	the placing and subscription agreement dated 18 December 2009 and made between the Vendors, the Company and the Purchasers
“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 People’s Republic of China
“Independent Third Party(ies)”	such person(s) who is(are) independent of and not connected nor acting in concert with the Directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries, or any of their respective associates, or the Vendors or parties acting in concert with any of them

“Last Trading Day”	18 December 2009, being the last trading day in the Shares pending the release of this announcement
“Placing”	the placing of the Placing Shares pursuant to the terms of the Agreement
“Placing Shares”	a total of 35,000,000 Shares beneficially owned by the Vendors to be sold to the Purchasers pursuant to the Agreement
“Purchasers”	<ul style="list-style-type: none"> (1) Senrigan Master Fund; (2) Joy Benefit Limited; (3) Ajia Partners Asia Absolute Return Master Fund Limited; (4) MCP Asia Funds SPC; and (5) Ventures Oriental Limited
“Share(s)”	ordinary share(s) of HK\$0.01 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares to be subscribed for by the Vendors pursuant to the Agreement
“Subscription Shares”	a total of 35,000,000 new Shares, being the number of Shares placed out pursuant to the Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Vendors” (1) Pearl Garden Pacific Limited; and
(2) Madian Star Limited

% per cent.

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

As at the date of this announcement, the executive Directors are Mr. Li Ming Hung (Chairman), Mr. Chen Tien Tui (Chief Executive Officer), Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung and the independent non-executive Directors are Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi.

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

Hong Kong, 21 December 2009

* *For identification purposes only*