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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)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 16 March 2010, the New Master Agreements were entered into between the Group and various connected persons of the Company to regulate the business relationships between the parties to the Former Master Agreements. The New Master Agreements are of a term commencing from 1 April 2010 and ending on 31 March 2013 (both days inclusive). The transactions contemplated under the New Master Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on their proposed annual caps for the three years ending 31 March 2013, the Continuing Connected Transactions, when aggregated, are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the New Master Agreements and the proposed annual caps for the three years ending 31 March 2013 for the Continuing Connected Transactions at the SGM.

A circular including, among other information, (1) a letter from the Board containing further details of the New Master Agreements; (2) a letter from the independent committee of the Board setting out its recommendations in connection with the Continuing Connected Transactions and the related proposed annual caps to the Independent Shareholders; (3) a letter from an independent financial adviser containing its advice in connection with the Continuing Connected Transactions and the related proposed annual caps to the independent committee of the Board and the Independent Shareholders; and (4) notice of the SGM will be despatched to the Shareholders as soon as practicable.

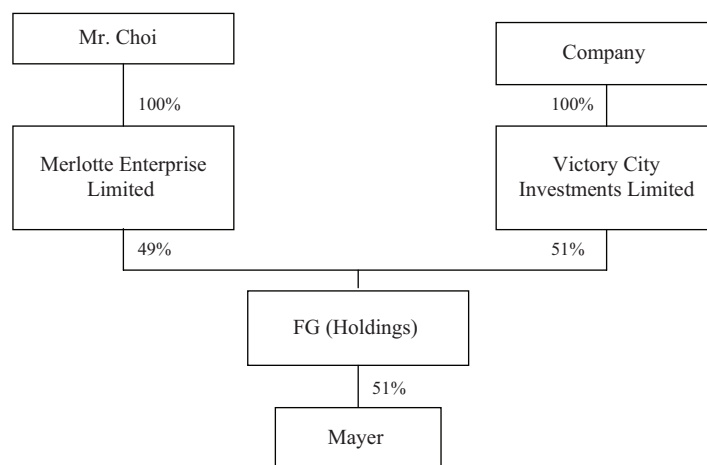
INTRODUCTION

As disclosed in the announcement of the Company dated 12 September 2007 and the circular of the Company dated 4 October 2007, the Former Master Agreements were entered into between the Group and various connected persons of the Company on 1 April 2007. The continuing connected transactions contemplated under the Former Master Agreements were approved by the then Independent Shareholders at the special general meeting of the Company held on 24 October 2007. The Former Master Agreements were all of a term commencing from 1 April 2007 and will expire on 31 March 2010.

The Board announces that on 16 March 2010, the New Master Agreements were entered into between the Group and various connected persons of the Company to regulate the business relationships between the parties to the Former Master Agreements. The New Master Agreements are of a term commencing from 1 April 2010 and ending on 31 March 2013 (both days inclusive). The transactions contemplated under the New Master Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

SIMPLIFIED CORPORATE STRUCTURE OF THE GROUP

A simplified corporate structure of the Group showing the relationships between the parties to the New Master Agreements (excluding Kimberley) is as follows:



CONTINUING CONNECTED TRANSACTIONS

FG (Holdings) is a connected person of the Company under Rule 14A.11(5) of the Listing Rules by virtue of the fact that it is a non wholly-owned subsidiary of the Company where Mr. Choi is entitled to control the exercise of more than 10% of the voting power at general meetings of FG (Holdings) through his wholly-owned company, Merlotte Enterprise Limited. Hence, Mayer, being a subsidiary of FG (Holdings), is a connected person of the Company under Rule 14A.11(6) of the Listing Rules.

On the other hand, Kimberley is owned by a director of Mayer and his wife. Such director is also a substantial shareholder of Mayer. Kimberley is an associate of such director (and substantial shareholder) and a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

Accordingly, the transactions contemplated under the New Master Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Based on their proposed annual caps for the three years ending 31 March 2013, the Continuing Connected Transactions, when aggregated, are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the New Master Agreements and the proposed annual caps for the three years ending 31 March 2013 for the Continuing Connected Transactions at the SGM. Mr. Choi, Kimberley and their respective associates will abstain from voting on the resolutions approving the New Master Agreements and the related proposed annual caps which will be proposed at the SGM. As at the date of this announcement, Mr. Choi held 7,980,000 shares in the Company, representing approximately 0.75% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors, none of the persons (excluding Mr. Choi) who are required to abstain from voting at the SGM is holding any shares in the Company as at the date of this announcement.

NEW MASTER AGREEMENTS

General terms

The New Master Agreements are dated 16 March 2010 and of a term commencing from 1 April 2010 to 31 March 2013 (both days inclusive). For the Kimberley-FG (Holdings) Master Agreement and the Mayer-FG (Holdings) Master Agreement (in respect of the purchases of apparel products), the purchase price (being the cost of materials), the quantity and specifications of products concerned, the time and place of delivery of the products concerned and other trade terms will be negotiated by the parties with reference to the then prevailing market rates and in good faith which will be set out in the relevant purchase orders.

Parties to the Kimberley-FG (Holdings) Master Agreement and the Mayer-FG (Holdings) Master Agreement (in respect of the purchases of apparel products) have acknowledged under the relevant New Master Agreement that the purchase price of the products concerned will be determined by the parties from time to time by reference to, among other factors, the then prevailing market prices of the raw materials or costs required for the manufacture of the products concerned, as well as, where applicable, prevailing market prices of similar products. The payment terms for the products will be set out in the relevant purchase orders to be placed under each of the New Master Agreements, where applicable.

In respect of the provision of business supporting service from the FG Group (excluding Mayer) to Mayer, orders shall be given orally or in writing from Mayer to the FG Group (excluding Mayer) from time to time during the term of the Mayer-FG (Holdings) Master Agreement. The service fee shall be determined by the parties from time to time, by reference to, among other factors, the complexity of the service to be provided as well as, where applicable, prevailing market rates of similar services.

(1) KIMBERLEY-FG (HOLDINGS) MASTER AGREEMENT

Parties

- (i) Kimberley, principally engaged in the manufacture of apparel products, as vendor; and
- (ii) FG (Holdings), an investment holding company, on its own behalf and as trustee for the benefit of other members of the FG Group, as purchaser.

Subject matter

Pursuant to the Kimberley-FG (Holdings) Master Agreement, Kimberley has agreed to sell to the FG Group, and the FG Group has agreed to purchase from Kimberley, apparel products during the term of the Kimberley-FG (Holdings) Master Agreement.

Proposed annual caps for the three years ending 31 March 2010 and historical transaction amounts

The historical transactions were carried out under the Former Kimberley-Mayer Master Agreement. The following tables set out (i) the proposed annual caps for the transaction amounts under the Former Kimberley-Mayer Master Agreement for the three years ending 31 March 2010; and (ii) the historical transaction amounts for the purchases of apparel products by the FG Group from Kimberley for the two years ended 31 March 2009 and the seven months ended 31 October 2009:

	Year ended/ending 31 March		
	2008	2009	2010
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Proposed annual caps (in million)	149.76	224.64	336.96

	Year ended 31 March		Seven months ended 31
	2008	2009	October 2009
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Historical transaction amounts (in million)	38.29	54.00	41.92

Proposed annual caps

The following table sets out the proposed annual caps for the purchases of apparel products by the FG Group from Kimberley for the three years ending 31 March 2013:

	Year ending 31 March		
	2011 (HK\$)	2012 (HK\$)	2013 (HK\$)
Proposed annual caps (in million)	179.00	312.00	548.00

(2) MAYER-FG (HOLDINGS) MASTER AGREEMENT

Parties

- (i) Mayer, principally engaged in the trading of apparel products, as vendor (in respect of the purchases of apparel products) and as customer (in respect of provision of business supporting service); and
- (ii) FG (Holdings), on its own behalf and as trustee for the benefit of other members of the FG Group (excluding Mayer), as purchaser (in respect of the purchases of apparel products) and as provider (in respect of provision of business supporting service).

Subject matter

Pursuant to the Mayer-FG (Holdings) Master Agreement, (i) Mayer has agreed to sell to the FG Group (excluding Mayer), and the FG Group (excluding Mayer) has agreed to purchase from Mayer, apparel products during the term of the Mayer-FG (Holdings) Master Agreement; and (ii) the FG Group (excluding Mayer) has agreed to provide to Mayer, and Mayer has agreed to engage the provision of, business supporting service during the term of the Mayer-FG (Holdings) Master Agreement.

Proposed annual caps for the three years ending 31 March 2010 and historical transaction amounts

The historical transactions (in respect of the purchases of apparel products) were carried out under the Former Mayer-FG (Holdings) Master Agreement. The following tables set out (i) the proposed annual caps for the transaction amounts under the Former Mayer-FG (Holdings) Master Agreement for the

three years ending 31 March 2010; and (ii) the historical transaction amounts for the purchases of apparel products by the FG Group (excluding Mayer) from Mayer for the two years ended 31 March 2009 and the seven months ended 31 October 2009:

	Year ended/ending 31 March		
	2008 (HK\$)	2009 (HK\$)	2010 (HK\$)
Proposed annual caps (in million)	187.20	280.80	421.20

	Year ended 31 March		Seven months ended 31 October 2009
	2008 (HK\$)	2009 (HK\$)	October 2009 (HK\$)
Historical transaction amounts (in million)	50.97	70.11	60.56

The transaction amount for the provision of business supporting service from the FG Group (excluding Mayer) to Mayer was approximately HK\$35,000 for the period from 1 February 2010 (being the commencement date of provision of business supporting service from the FG Group (excluding Mayer) to Mayer) to 28 February 2010.

Proposed annual caps

The following table sets out the proposed annual caps for, in aggregate, (i) the purchases of apparel products by the FG Group (excluding Mayer) from Mayer; and (ii) the provision of business supporting service from the FG Group (excluding Mayer) to Mayer for the three years ending 31 March 2013:

	Year ending 31 March		
	2011 (HK\$)	2012 (HK\$)	2013 (HK\$)
Proposed annual caps (in million)	191.00	326.00	526.00

Basis of proposed annual caps

The Kimberley-FG (Holdings) Master Agreement and the Mayer-FG (Holdings) Master Agreement are inter-related as Mayer will place purchase orders with Kimberley based on the sales orders received by FG (Holdings) from its customers. The arrangements between Kimberley and Mayer started in 2006. The proposed annual caps for the Kimberley-FG (Holdings) Master Agreement and the Mayer-FG (Holdings) Master Agreement for the three years ending 31 March 2013 are determined by reference to (i) the historical amount of sales order of the apparel products received by FG (Holdings) from its customers; (ii) the expected growth in demand for the apparel products from customers of FG (Holdings); (iii) the historical transaction amounts under the Former Kimberley-Mayer Master Agreement and the

Former Mayer-FG (Holdings) Master Agreement; and (iv) the historical transaction amount for the provision of business supporting service from the FG Group (excluding Mayer) to Mayer. Growth in the sales volume of the existing clients of Kimberley as well as from Kimberley's expanded clientele and the prevailing market prices of the apparel products also contribute to the determination of the proposed annual caps.

Reasons for the Continuing Connected Transactions

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products. The New Master Agreements were entered into by the respective parties in the ordinary course of business.

The Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the independent financial adviser) consider that:

- (a) the terms and conditions of each of the New Master Agreements were negotiated between the parties on an arm's length basis and are normal commercial terms that are fair and reasonable;
- (b) the proposed annual caps in respect of each of the New Master Agreements for the three years ending 31 March 2013 as referred to above are fair and reasonable; and
- (c) the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

GENERAL

A circular including, among other information, (1) a letter from the Board containing further details of the New Master Agreements; (2) a letter from the independent committee of the Board setting out its recommendations in connection with the Continuing Connected Transactions and the related proposed annual caps to the Independent Shareholders; (3) a letter from an independent financial adviser containing its advice in connection with the Continuing Connected Transactions and the related proposed annual caps to the independent committee of the Board and the Independent Shareholders; and (4) notice of the SGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands

“Company”	Victory City International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	collectively, the continuing connected transactions constituted by the transactions contemplated under the New Master Agreements
“Director(s)”	the director(s) of the Company
“FG Group”	FG (Holdings) and its subsidiaries from time to time
“FG (Holdings)”	Ford Glory Holdings Limited, a company incorporated in the BVI and owned as to 51% by Victory City Investments Limited, a wholly-owned subsidiary of the Company and as to 49% by Merlotte Enterprise Limited
“Former Kimberley-Mayer Master Agreement”	the master agreement dated 1 April 2007 and entered into between Kimberley and Mayer in relation to the purchase of apparel products from Kimberley by Mayer
“Former Master Agreements”	collectively, <ul style="list-style-type: none"> (i) the Former Kimberley-Mayer Master Agreement; and (ii) the Former Mayer-FG (Holdings) Master Agreement
“Former Mayer-FG (Holdings) Master Agreement”	the master agreement dated 1 April 2007 and entered into between Mayer and FG (Holdings) (on its own behalf and as trustee for the benefit of other members of the FG Group (excluding Mayer)) in relation to the purchase of apparel products from Mayer by the FG Group (excluding Mayer)
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders excluding Mr. Choi, Kimberley, the members of the FG Group and their respective associates

“Kimberley”	加美 (清遠) 製衣有限公司 (Kimberley (Qing Yuan) Garment Limited), a company established in the PRC and held by a director (and substantial shareholder) of Mayer and his wife
“Kimberley-FG (Holdings) Master Agreement”	the master agreement dated 16 March 2010 and entered into between Kimberley and FG (Holdings) (on its own behalf and as trustee for the benefit of other members of the FG Group) in relation to the purchase of apparel products from Kimberley by the FG Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mayer”	Mayer Apparel Limited, a company incorporated in Hong Kong and owned as to 51% by FG (Holdings) and 49% by a director of Mayer
“Mayer-FG (Holdings) Master Agreement”	the master agreement dated 16 March 2010 and entered into between Mayer and FG (Holdings) (on its own behalf and as trustee for the benefit of other members of the FG Group (excluding Mayer)) in relation to (i) the purchase of apparel products from Mayer by the FG Group (excluding Mayer); and (ii) the provision of business supporting service from the FG Group (excluding Mayer) to Mayer
“Mr. Choi”	Mr. Choi Lin Hung, an executive Director
“New Master Agreements”	collectively, (i) the Kimberley-FG (Holdings) Master Agreement; and (ii) the Mayer-FG (Holdings) Master Agreement
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SGM”	the special general meeting to be convened for, among other matters, approving the New Master Agreements and the related proposed annual caps for the three years ending 31 March 2013 for the Continuing Connected Transactions
“Shareholders”	shareholder(s) of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong 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.

Hong Kong, 16 March 2010

* *for identification purposes only*