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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)*

**ADOPTION OF SHARE OPTION SCHEME BY A SUBSIDIARY**

**AND**

**POSSIBLE DISCLOSEABLE TRANSACTION –**

**DEEMED DISPOSAL OF A SUBSIDIARY**

**IN RELATION TO**

**(i) THE PROPOSED SPIN-OFF**

**AND SEPARATE LISTING OF**

**FORD GLORY GROUP HOLDINGS LIMITED**

**ON THE MAIN BOARD OF**

**THE STOCK EXCHANGE OF HONG KONG LIMITED**

**AND**

**(ii) THE GRANTING OF OPTIONS UNDER**

**THE FGG SHARE OPTION SCHEME**

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board announces that the Company submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules in relation to the Proposed Spin-off. The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

On 2 June 2010, FGG submitted a listing application form (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, the shares of FGG in issue and to be issued under the Global Offering on the Main Board of the Stock Exchange. The Proposed Spin-off is subject to the requirements under Practice Note 15 of the Listing Rules and other relevant provisions of the Listing Rules.

The FG Group, which is the subject of the Proposed Spin-off, comprises certain existing subsidiaries of the Company which are principally engaged in sourcing management, manufacturing and trading of garment products.

The Board will give due and careful consideration to the interests of the Qualifying Shareholders by providing them with an assured entitlement to shares in FGG by way of preferred application in the offering of new shares of FGG under the Global Offering subject to certain conditions. Details of the preferential offer have not yet been finalised and will be announced in due course.

The board of directors of FGG resolved to conditionally adopt the FGG Share Option Scheme and to conditionally grant share options to a number of employees of the FG Group. The FGG Share Option Scheme and the grant of share options (if required) will be conditional upon, among others, the obtaining of the approval of the Shareholders under Chapter 17 of the Listing Rules and the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the shares of FGG which may be issued pursuant to the grant of options under the FGG Share Option Scheme; and will become effective upon commencement of dealings in the shares of FGG on the Main Board of the Stock Exchange.

The Proposed Spin-off, should it materialise, and the granting of the share options pursuant to the FGG Share Option Scheme, will constitute a deemed disposal of the Company's equity interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules, which may constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and be subject to reporting and announcement requirements under the Listing Rules. Upon completion of the Proposed Spin-off, FGG will continue to be a subsidiary of the Company.

A circular containing, among others, further information of the FGG Share Option Scheme and the grant of the share options pursuant to the requirements under Chapter 17 of the Listing Rules as well as a notice of a special general meeting to be convened by the Company to approve the FGG Share Option Scheme and the grant of the share options (if required) pursuant to the requirements under Chapter 17 of the Listing Rules will be despatched to the Shareholders as soon as practicable.

**Shareholders and potential investors should note that the Proposed Spin-off is subject to, among others, the final decisions of the Board and the board of directors of FGG and the approval from the Stock Exchange, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

This announcement is made pursuant to Rule 13.09 of the Listing Rules. The Board announces that the Company submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules in relation to the Proposed Spin-off. The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

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It is currently proposed that shares of FGG will be offered to the public in Hong Kong for subscription and for placing, among others, with professional, institutional and other investors (including the Qualifying Shareholders) under the Global Offering. Details in respect of the Proposed Spin-off, including the size and structure of the Global Offering, the extent of the decrease in percentage shareholding of the Company in FGG and the expected timetable, have not yet been finalised. A further announcement will be made by the Company upon finalisation of the structure of the Proposed Spin-off and the Global Offering.

## **INFORMATION OF THE FG GROUP**

FGG was incorporated in Bermuda on 3 March 2010 and is as at the date of this announcement owned by Sure Strategy Limited (which was owned by Merlotte Enterprise Limited and Victory City Investments Limited as to 49% and 51% respectively as at the date of this announcement). Prior to the Proposed Spin-off, a reorganisation will be carried out pursuant to which FGG will (i) be owned as to approximately 0.74%, 0.76% and 98.5% by each of Merlotte Enterprise Limited, Victory City Investments Limited and Sure Strategy Limited; and (ii) become the immediate holding company of FGH and its subsidiaries.

The Group (including the FG Group) is principally engaged in the production and sale of knitted fabric and dyed yarn and garment products. The FG Group, which is the subject of the Proposed Spin-off, comprises certain existing subsidiaries of the Company which are principally engaged in sourcing management, manufacturing and trading of garment products.

## **REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF**

The Board believes that the separate listing of FGG will be beneficial to both the Company and FGH based on the following reasons:

- (i) the Group and the FG Group are believed to have different growth paths and different business strategies and the Proposed Spin-off will allow separate platforms for the business of the two groups;
- (ii) the Proposed Spin-off will create two groups of companies and will offer the Shareholders with an opportunity to participate in the future development of both the Group as well as the FG Group and flexibility to invest in both or either of the groups. The Company will be able to realise the value of its investment in its garment business and return value to the Shareholders in the form of liquid securities;
- (iii) the Proposed Spin-off will enable the management team of the Company to continue to focus on building its core businesses (i.e. the production and sale of knitted fabric and dyed yarn), thereby enhancing the decision-making process and its responsiveness to market changes;
- (iv) the Proposed Spin-off will provide a mechanism to attract and motivate the FG Group's management directly in line with the financial performance of the FG Group on a standalone basis;
- (v) the Proposed Spin-off is expected to improve the operational and financial transparency of the FG Group and provide investors, the market and rating agencies with greater clarity on the businesses as well as the respective financial status of the Group and the FG Group;
- (vi) the Proposed Spin-off will provide separate fundraising platforms for the Group and the FG Group with respect to their respective operations and future expansion; and
- (vii) the cash proceeds to be received pursuant to the Global Offering associated with the Proposed Spin-off will provide capital to the FG Group for its operations and new investments opportunities.

Based on the above, the Board believes that the Proposed Spin-off will be beneficial to the Shareholders as the Company will be able to realise the value of its investments in the FG Group by way of liquid securities.

## **CONDITIONS PRECEDENT FOR THE PROPOSED SPIN-OFF**

The Proposed Spin-off will be conditional on, among others, the following:

- (i) the Listing Committee of the Stock Exchange granting approval for the Proposed Spin-off and the listing of, and permission to deal in, the shares of FGG in issue and to be issued under the Global Offering (including the shares of FGG to be issued upon the exercise of the options granted and which may be granted under the FGG Share Option Scheme); and
- (ii) the terms and structure of the Global Offering being agreed among the Company, FGG and CIMB Securities (HK) Limited, the sponsor.

## **ASSURED ENTITLEMENT AND FURTHER ANNOUNCEMENT**

In accordance with the requirements of Practice Note 15 of the Listing Rules, the Board will give due and careful consideration to the interests of the Qualifying Shareholders by providing them with an assured entitlement to shares in FGG by way of preferred application in the offering of new shares of FGG under the Global Offering if the Board decides to proceed with the Proposed Spin-off and the Global Offering subject to certain conditions being fulfilled. Details of the abovementioned preferential offer have not yet been finalised. Further announcement(s) will be made by the Company as and when appropriate and details of the preferential offering to be made to the Qualifying Shareholders to subscribe for shares of FGG under the Global Offering will be set out therein.

## **SHARE OPTION SCHEME**

The board of directors of FGG resolved to conditionally adopt the FGG Share Option Scheme and to conditionally grant share options to a number of employees of the FG Group. The FGG Share Option Scheme and the grant of share options (if required) will be conditional upon, among others, the obtaining of the approval of the Shareholders under Chapter 17 of the Listing Rules and the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the shares of FGG which may be issued pursuant to the grant of options under the FGG Share Option Scheme; and will become effective on the commencement of dealings in the shares of FGG on the Main Board of the Stock Exchange.

## **POSSIBLE DISCLOSEABLE TRANSACTION, DEEMED DISPOSAL OF A SUBSIDIARY**

The Proposed Spin-off, should it materialise, and the granting of the share options pursuant to the FGG Share Option Scheme, will constitute a deemed disposal of the Company's equity interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules, which may constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and be subject to reporting and announcement requirements under the Listing Rules. Upon completion of the Proposed Spin-off, FGG will continue to be a subsidiary of the Company.

A circular containing, among others, further information of the FGG Share Option Scheme and the grant of the share options pursuant to the requirements under Chapter 17 of the Listing Rules as well as a notice of a special general meeting to be convened by the Company to approve the FGG Share Option Scheme and the grant of the share options (if required) pursuant to the requirements under Chapter 17 of the Listing Rules will be despatched to the Shareholders as soon as practicable.

## GENERAL

As of the date of this announcement, the Board has not yet finalised whether and when the Proposed Spinoff and the Global Offering will be launched. The decisions of the Board and the board of directors of FGG to proceed with the Proposed Spin-off and the Global Offering are dependent upon, among others, market conditions during the period leading up to the proposed Global Offering. There is also no assurance that the Proposed Spin-off and the separate listing of the shares of FGG on the Main Board of the Stock Exchange will take place or as to when it may take place. Further announcement(s) will be made by the Company in relation to the Proposed Spin-off and the Global Offering as and when appropriate. Any decision to apply for shares of FGG under the Global Offering should be based solely on information provided in the prospectus to be issued by FGG in connection therewith.

**Shareholders and potential investors should note that the Proposed Spin-off is subject to, among others, the final decisions of the Board and the board of directors of FGG and the approval from the Stock Exchange, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

“Board”	board of Directors
“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
“Directors”	directors of the Company
“FGG”	Ford Glory Group Holdings Limited, a company incorporated in Bermuda on 3 March 2010
“FG Group”	FGG, FGH and its subsidiaries
“FGG Share Option Scheme”	the share option scheme conditionally adopted by the board of directors of FGG

“FGH”	Ford Glory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 28 May 2002, an indirect non-wholly-owned subsidiary of the Company, in which the Company holds approximately 51% of its interest as at the date of this announcement
“Global Offering”	the proposed offer for subscription of the shares of FGG by the public in Hong Kong, the placing of the shares of FGG with certain professional, institutional and other investors and the potential offer for subscription of the shares of FGG by the Qualifying Shareholders, in connection with the Proposed Spin-off
“Group”	the Company, its subsidiaries and associated companies (which for the purpose of this announcement, excludes the FG Group unless otherwise specified)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China and, for the purpose of this announcement and for geographical reference only, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Spin-off”	the proposed separate listing of the shares of FGG on the Main Board of the Stock Exchange
“Qualifying Shareholder(s)”	Shareholder(s) of the Company appearing on the register of members of the Company on such record date to be determined by the Company, who shall be entitled to subscribe for the shares of FGG on a preferential basis to be determined under the Global Offering, other than the Shareholders whose addresses on the register of members of the Company are outside Hong Kong on such record date
“Shareholder(s)”	the holder(s) of the Share(s)

“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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, 3 June 2010

*\* for identification purposes only*