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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)

**DISCLOSEABLE TRANSACTION –  
DEEMED DISPOSAL OF A SUBSIDIARY  
IN RELATION TO  
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**

The Board wishes to announce that the Prospectus in relation to the Global Offering of FGG has been issued on 17 September 2010 and the Listing Date is expected to be Tuesday, 5 October 2010.

Immediately upon completion of the Global Offering and the capitalisation issue (assuming that no FGG Share has been issued pursuant to the exercise of any option granted or which may be granted under the FGG Share Option Scheme), the Company, through its indirect 51% owned subsidiary, Sure Strategy and its direct wholly-owned subsidiary, VC Investments, will be interested in approximately 72.522% of the issued share capital of FGG.

The Proposed Spin-off and the granting of the share options pursuant to the FGG Share Option Scheme constitute a deemed disposal of the Company's equity interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules, and given that the applicable percentage ratios calculated in accordance with the Listing Rules are more than 5% but less than 25%, such deemed disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is 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.

Shareholders and potential investors should note that the Proposed Spin-off, which is subject to a number of conditions, may or may not proceed. In particular, there is no assurance that the listing approval from the Listing Committee of the Stock Exchange will be granted or that the underwriters' obligations under the underwriting agreements will become unconditional or that the underwriting agreements will not be terminated. Thus, there can be no assurance that such Proposed Spin-off will be proceeded with, and Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.

## INTRODUCTION

Reference is made to the announcements (the “**Announcements**”) of Victory City International Holdings Limited (the “**Company**”) dated 3 June 2010, 31 August 2010 and 10 September 2010 respectively. Terms used in this announcement shall have the same meanings as those defined in the Announcements.

## THE GLOBAL OFFERING

The Board wishes to announce that the prospectus (the “**Prospectus**”) in relation to the Global Offering of FGG has been issued on 17 September 2010 and the listing date (the “**Listing Date**”) of the FGG Shares on the Main Board of the Stock Exchange is expected to be Tuesday, 5 October 2010.

### Structure

The Global Offering comprises the international placing and the Hong Kong Public Offering. The 118,000,000 offer shares in the Global Offering (the “**Offer Shares**”) initially being offered in the Global Offering will represent approximately 26.94% of the enlarged share capital of FGG immediately after completion of the Global Offering and the capitalisation issue.

A total of 59,000,000 FGG Shares, representing an aggregate of 50% of the initial total number of the Offer Shares, will initially be offered under the international placing to professional, institutional and/or other investors in Hong Kong and certain other jurisdictions. A total of 59,000,000 FGG Shares, representing 50% of the initial total number of the Offer Shares, will initially be offered under the Hong Kong Public Offering. The number of FGG Shares to be offered under the Hong Kong Public Offering and the international placing are subject to reallocation as described in the Prospectus.

Out of the 59,000,000 Offer Shares to be offered under the Hong Kong Public Offering, it is expected that (a) 21,281,983 Offer Shares will be offered as Reserved Shares to the Qualifying Shareholders under the Preferential Offering on an assured basis; (b) 5,900,000 Hong Kong Offer Shares will be offered to the eligible employees of FG Group on a preferential basis; and (c) 31,818,017 Offer Shares will be offered to the other public.

The Hong Kong Public Offering is fully underwritten by the Hong Kong underwriters, subject to the terms and conditions of the Hong Kong underwriting agreement, including the lead manager (for itself and on behalf of the underwriters) and FGG agreeing to the offer price of the Offer Shares (the “**Offer Price**”). The international placing will be fully underwritten by the international underwriters under the terms of the international underwriting agreement, subject to the lead manager (for itself and on behalf of the underwriters) and FGG agreeing to the Offer Price.

Immediately upon completion of the Global Offering and the capitalisation issue (assuming that no FGG Share has been issued pursuant to the exercise of any option granted or which may be granted under the FGG Share Option Scheme), the Company, through its indirect 51% owned subsidiary, Sure Strategy Limited (“**Sure Strategy**”) and its direct wholly-owned subsidiary, Victory City Investments Limited (“**VC Investments**”), will be interested in approximately 72.522% of the issued share capital of FGG. Details of the shareholding structure of the FG Group are set out in the Prospectus.

### **Conditions**

It is currently expected that the Proposed Spin-off and the acceptance of the application for the Offer Shares are conditional upon, among other things:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the shares of FGG (“**FGG Shares**”) in issue and the FGG Shares to be issued as mentioned in the Prospectus (including the Offer Shares, any FGG Shares which may be issued pursuant to the capitalisation issue and any additional FGG Shares, up to 10% of the issued share capital of FGG as of the Listing Date, which may be issued pursuant to the exercise of options granted or which may be granted under the FGG Share Option Scheme), and such listing and permission not subsequently being revoked prior to the commencement of dealings in the FGG Shares on the Stock Exchange;
- (b) the Offer Price having been duly determined on the price determination date (the “**Price Determination Date**”), which is expected to be on or about Wednesday, 22 September 2010 and, in any event, not later than Monday, 27 September 2010;
- (c) the execution and delivery of the international underwriting agreement in accordance with its terms or otherwise on or before the Price Determination Date; and
- (d) the obligations of the underwriters under the underwriting agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the underwriting agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of the Prospectus. As at the date of this announcement, the above conditions have not been fulfilled.

If any of these and other applicable conditions are not fulfilled or (where applicable) waived prior to the dates and times to be specified, the Proposed Spin-off will lapse, and the Stock Exchange will be notified immediately and an announcement will be published by the Company as soon as practicable following such lapse.

The Non-Competition Undertaking and the deed of indemnity mentioned in the announcement of the Company dated 10 September 2010 had been entered into.

### **The Preferential Offering**

In order to enable Shareholders to participate in the Global Offering on a preferential basis as to allocation only, Qualifying Shareholders are being invited to apply for an aggregate of up to 21,281,983 FGG Shares (representing approximately 18.04% of the offer shares initially available under the Global Offering and approximately 4.86% of the enlarged issued share capital of FGG upon completion of the Global Offering) in the Preferential Offering and which are to be allocated out of the Offer Shares in the Hong Kong Public Offering.

Shareholders whose names appeared on the register of members of the Company as holding 2,000 or more Shares at 5:00 p.m. on 15 September 2010 other than those Shareholders (the “**Overseas Shareholders**”) whose addresses on the register of members of the Company were outside Hong Kong at that time, will be entitled to apply for the Reserved Shares on the basis of an assured entitlement of 40 Reserved Shares for every integral multiple of 2,000 Shares. Shareholders whose names appeared on the register of members of the Company and are shown as holding fewer than 2,000 Shares as at 5:00 p.m. on the Record Date will not be entitled to apply for any Reserved Share.

A **BLUE** application form will be sent to each Qualifying Shareholder together with an electronic copy of the Prospectus on CD ROM. Qualifying Shareholders are permitted to apply for a number of Reserved Shares which is, greater than, equal to or less than their Assured Entitlements under the Preferential Offering. A valid application in respect of a number of Reserved Shares equal to or less than a Qualifying Shareholder’s Assured Entitlement will be accepted in full, subject to the terms and conditions set forth in the **BLUE** application forms. If an application is made for a number of Reserved Shares greater than the Assured Entitlement of a Qualifying Shareholder, the Assured Entitlement will be satisfied in full but the excess proportion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders with an Assured Entitlement declining to take up all or some of their Assured Entitlements. If an application is made for a number of Reserved Shares less than the Assured Entitlement of a Qualifying Shareholder, the applicant is recommended to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** application form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Shares; if such applicant does not follow this recommendation when applying for less than the Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of multiples and payments on the back page of the **BLUE** application form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant.

The lead manager of the Global Offering (on behalf of the underwriters) will allocate any Reserved Shares not taken up by the Qualifying Shareholders first to satisfy the excess applications for the Reserved Shares from other Qualifying Shareholders on a fair and reasonable basis and may give preference to topping up odd lots to whole board lots.

Overseas Shareholder(s) whose name(s) appear on the register of members of the Company at 5:00 p.m. on the Record Date to whom the Board, based on legal opinion provided by legal advisers, considers it necessary or expedient not to offer the Reserved Shares on account the requirements of the relevant regulatory body or stock exchange in that place will not be regarded as Qualifying Shareholder(s). Based on the register of members of the Company, there was one Shareholder with registered address in the Philippines as at the Record Date. Pursuant to Rule 13.36(2) of the Listing Rules, the Board has made enquiries with its legal advisers as to Philippines law regarding whether there is any legal restriction under the applicable securities legislation of Philippines or requirement of any relevant regulatory body or stock exchange with respect to the offer of Reserved Shares to such Overseas Shareholder.

The Company has been advised by its legal advisers on the laws of the Philippines that the Company would need to take additional steps to ensure compliance with the regulatory requirements of the relevant regulatory authorities in the Philippines if the Reserved Shares are to be offered to the Overseas Shareholder with registered address in the Philippines. Having considered the circumstances, the Directors are of the view that it is not expedient to extend the Preferential Offering to such Overseas Shareholder taking into consideration that the time and costs involved in complying with the legal requirements of the Philippines would outweigh the possible benefits to the relevant Overseas Shareholder and the Company. Thus, the Preferential Offering will not be extended to the Overseas Shareholder in the Philippines. The Company will send the Prospectus, for information only, to such Overseas Shareholder with registered addresses in the Philippines but will not send him any application form.

## Timetable

Set out below is the simplified timetable of the Proposed Spin-off:

Application lists of the Hong Kong Public

Offering and the Preferential Offering open . . . . . 11:45 a.m. on Wednesday,  
22 September 2010

Latest time to lodge **BLUE** application form. . . . . 12:00 noon on  
Wednesday, 22 September 2010

Expected Price Determination Date . . . . . Wednesday, 22 September 2010

Listing Date . . . . . Tuesday, 5 October 2010

All times above refer to Hong Kong local time. An announcement will be made by FGG after the Offer Price is determined.

## **Intended use of proceeds**

FGG intends to use the net proceeds from the Global Offering as follows (details of which are set out in the Prospectus):

- (a) approximately 50% to be used to establish new production facilities, acquire new production equipment, upgrade existing production equipment and establish joint ventures or enter into cooperation with strategic business partners and for mergers and acquisitions of garment factories;
- (b) approximately 15% to be used to strengthen its sample design and development capabilities and expand its sample workshop;
- (c) approximately 5% to be used to strengthen its promotional and marketing efforts, in particular, in the People's Republic of China (the “**PRC**”) and the United States of America, and to expand its sales office in the United States of America;
- (d) approximately 20% to be used to develop the “夢仕臣” (Monstons) brand underwear and homewear products in the PRC market, including as expenses for promotional and marketing activities; and
- (e) approximately 10% for working capital and other general corporate purposes.

## **INFORMATION ON THE GROUP AND 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 (which was owned by Merlotte Enterprise Limited (“**Merlotte**”) and VC Investments as to 49% and 51% respectively as at the date of this announcement), VC Investments and Merlotte as to approximately 98.5%, 0.765% and 0.735% respectively. As at the date of this announcement, FGG is 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, the manufacturing and trading of garment products.

Based on the audited combined financial information of the FG Group, the total net assets of the FG Group as at 31 March 2010 were approximately HK\$236.6 million. The audited combined profit before tax of the FG Group for each of the three years ended 31 March 2010, were approximately HK\$58.6 million, HK\$52.0 million and HK\$48.0 million respectively. For each of the three years ended 31 March 2010, the FG Group's combined profit for the year amounted to approximately HK\$56.3 million, HK\$48.5 million and HK\$40.8 million respectively. The FG Group's net profit after tax for each of the three years ended 31 March 2010 also represented approximately 15.2%, 20.1% and 12.1% of the net profit after tax of the Group and the FG Group on an aggregate basis.



## **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 FGG based on the following reasons:

- (i) The Company and FGG 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 its 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 FGG's proposed global offering associated with the Proposed Spin-off will provide capital to FGG 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.

## **FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF**

### **Net tangible asset value**

The audited combined net assets after deducting non-controlling interests of the Group was approximately HK\$3,077.8 million as at 31 March 2010. The audited combined total net asset value of the FG Group after deducting non-controlling interests of the FG Group as at 31 March 2010 was approximately HK\$229.7 million.

The Board expects that the Company will recognise a loss resulting from the Proposed Spin-off. Based on the audited combined net assets of the FG Group as at 31 March 2010, the estimated minimum market capitalisation of FGG of approximately HK\$219.0 million, and the current proposed structure of the Global Offering, the maximum amount of loss to the Company resulting from the Proposed Spin-off is estimated to be approximately HK\$16.5 million. However, it should be noted that the aforesaid loss is estimated based on a number of assumptions, including, among others, the estimated market capitalisation and the assumption that the Global Offering will be completed on 5 October 2010, and has not taken into account the financial position of the FG Group at the date when the Proposed Spin-off becomes effective. Accordingly, the actual loss to be recognised in the equity by the Group, which shall be calculated by reference to the financial position of the FG Group at the time of completion of the Global Offering, may be different from the above estimation. Based on the minimum proposed offer size and the structure of the Global Offering, the Board currently expects that the minimum estimated net proceeds from the Global Offering will be about HK\$40.3 million. Assuming the Proposed Spin-off will be completed on 5 October 2010 and on the basis of the minimum proposed offer size and the structure of the Global Offering, such loss will be recognised in equity of the Company for the year ending 31 March 2011. The net assets (after deducting non-controlling interests) of the Group are therefore expected to decrease by the same amount of such loss.

## **Earnings**

The effect of the Proposed Spin-off on the future earnings of the Group will depend on, among others, the return generated from the proceeds raised from the Global Offering as well as the growth of the business operations of the FG Group.

Based on the audited combined financial information of the FG Group for each of the two years ended 31 March 2010, the combined profits before taxation of the FG Group were approximately HK\$52.0 million and approximately HK\$48.0 million respectively. For each of the two years ended 31 March 2010, the audited combined profits for the year of the FG Group were approximately HK\$48.5 million and approximately HK\$40.8 million respectively. Details of the audited combined results of the FG Group for each of the three years ended 31 March 2010 are included in the Prospectus.

Following completion of the Proposed Spin-off, the Group's earnings contributed by the FG Group are expected to be reduced as the Company's effective interest in FGG will be reduced from 51% to approximately 37.3% (assuming the options which were granted or may be granted under the FGG Share Option Scheme are not exercised) and FGG remains as a subsidiary of the Company. Consequently, financial results of the FG Group will be consolidated into the accounts of the Group.

Upon completion of the Proposed Spin-off, FGG will remain a subsidiary of the Company. The Directors are of the view that the FG Group is capable of carrying on its own business independently from the Group after the listing of the FGG Shares.



## **FGG 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 its employees. The FGG Share Option Scheme and the grant of share options is conditional upon, among others, the obtaining of the approval of the Shareholders under Chapter 17 of the Listing Rules, which was obtained on 28 July 2010 (details of which are set out in the circular of the Company dated 7 July 2010 and the announcement of the Company dated 28 July 2010) 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 Listing Date.

## **LISTING RULES IMPLICATIONS**

The Proposed Spin-off and the granting of the share options pursuant to the FGG Share Option Scheme constitute a deemed disposal of the Company's equity interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules, and given that the applicable percentage ratios calculated in accordance with the Listing Rules are more than 5% but less than 25%, such deemed disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is 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.

## **GENERAL**

**Shareholders and potential investors should note that the Proposed Spin-off, which is subject to a number of conditions, may or may not proceed. In particular, there is no assurance that the listing approval from the Listing Committee of the Stock Exchange will be granted or that the underwriters' obligations under the underwriting agreements will become unconditional or that the underwriting agreements will not be terminated. Thus, there can be no assurance that such Proposed Spin-off will be proceeded with, and Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 17 September 2010

*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.*

\* *for identification purposes only*