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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Victory City International Holdings Limited, you should at once hand this circular together with the accompanying form of election to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

Executive Directors:

Li Ming Hung (*Chairman*)
Chen Tien Tui (*Chief Executive Officer*)
Lee Yuen Chiu, Andy
Choi Lin Hung

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Kan Ka Hon
Phaisalakani Vichai
Kwok Sze Chi

***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

16 January 2015

To the shareholders of the Company

Dear Sirs

SCRIP DIVIDEND SCHEME

INTRODUCTION

In the interim results announcement of the Company dated 28 November 2014, the board of directors (the “**Directors**”) of Victory City International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) announced the interim results of the Group

* For identification purposes only

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for the six months ended 30 September 2014 and resolved to declare an interim dividend (the “**Interim Dividend**”) of HK5.0 cents per share (each a “**Share**”) of HK\$0.01 each in the share capital of the Company. The Interim Dividend is payable to shareholders (the “**Qualifying Shareholders**”) of the Company whose names appeared on the register of members of the Company on 30 December 2014 (the “**Record Date**”) by way of cash with an option to elect to receive wholly or partly an allotment and issue of new Shares (the “**Scrip Shares**”), credited as fully paid, in lieu of cash payment of the Interim Dividend (the “**Scrip Dividend Scheme**”).

SCRIP DIVIDEND SCHEME

Particulars of the Scrip Dividend Scheme

Under the Scrip Dividend Scheme, each Qualifying Shareholder has an option to elect to receive the Interim Dividend:

- (a) in cash payment of HK5.0 cents per Share; or
- (b) by way of an allotment and issue of Scrip Shares; or
- (c) by way of a combination of (a) and (b) above.

The number of Scrip Shares to be allotted and issued to a Qualifying Shareholder who elects either (b) or (c) above will be calculated by dividing the total amount of the Interim Dividend which he/she/it elects to be made payable to him/her/it by way of Scrip Shares by the average of the closing prices of the Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the five consecutive trading days ended 30 December 2014 less a discount of five per cent. of such average price or the par value of the Shares, whichever is the higher.

The Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Scrip Shares save that the Scrip Shares are not entitled to the Interim Dividend. In particular, the Scrip Shares will rank in full for all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Scrip Shares including the final dividend (if any) for the year ending 31 March 2015.

Basis of allotment and issue of Scrip Shares

For the purpose of calculating the number of Scrip Shares to be allotted and issued under the Scrip Dividend Scheme, the price per Scrip Share has been fixed by the Directors at HK\$1.0583 per Share (the “**Discounted Average Closing Price**”) after taking into account a five per cent. discount to HK\$1.114, being the average of the closing prices of the Shares on the Stock Exchange for the five consecutive trading days ended 30 December 2014.

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Accordingly, the number of Scrip Shares which each Qualifying Shareholder is entitled to receive under the Scrip Dividend Scheme in respect of the Shares registered under their names on the Record Date will be calculated by the following formula:

$$\begin{array}{rclcl} \text{Number of Scrip} & & \text{Number of Shares held} & & \\ \text{Shares to be} & & \text{on the Record Date for} & & \\ \text{received} & = & \text{which the Interim} & \times & \frac{\text{HK\$0.05 (Interim Dividend per Share)}}{\text{HK\$1.0583 (Discounted Average Closing Price)}} \\ & & \text{Dividend is to be} & & \\ & & \text{satisfied in Scrip Shares} & & \end{array}$$

If all Qualifying Shareholders elect to receive the Interim Dividend in Scrip Shares, based on 1,803,324,466 Shares in issue as at the close of business on the Record Date, the maximum number of Scrip Shares which may fall to be issued under the Scrip Dividend Scheme will be 85,199,114 Shares, representing approximately 4.72% of the existing issued share capital of the Company and approximately 4.51% of the issued share capital of the Company as enlarged by the issue of the Scrip Shares. If no election for the Scrip Shares were received, the total cash dividend payable by the Company would be approximately HK\$90,166,223.

The number of Scrip Shares to be allotted and issued will be rounded down to the nearest whole number of Scrip Shares and no Qualifying Shareholder is entitled to be allotted and issued any fraction of a Share under the Scrip Dividend Scheme. Fractional entitlements to Scrip Shares will be aggregated and sold for the benefit of the Company.

As at the Record Date, no shareholders of the Company had a registered address outside Hong Kong as appeared on the register of members of the Company. Accordingly, all shareholders of the Company whose names appeared on the register of members of the Company on the Record Date fall within the definition of Qualifying Shareholders and are therefore eligible to participate in the Scrip Dividend Scheme.

Advantages of the Scrip Dividend Scheme

In arriving at the decision to declare the Interim Dividend by way of the Scrip Dividend Scheme, the Directors consider that while the Company should declare Interim Dividend, the retention of cash, which would otherwise have been paid to the shareholders of the Company as cash dividend, within the Group would enhance the continuous growth, maintain the financial stability and reduce the financing costs of the Group. In addition, the Scrip Dividend Scheme will give the Qualifying Shareholders the opportunity to increase their equity investment in the Company without incurring brokerage fees, stamp duty and related costs of dealings.

The form of election

Enclosed with this circular is a form of election. No action is required if you wish the Interim Dividend to which you are entitled to be wholly satisfied in cash.

If you wish to elect to receive the Interim Dividend either wholly or in part by an allotment and issue of the Scrip Shares, you must complete the form of election in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, **Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 11 February 2015**. No acknowledgement of receipt of the form of election will be issued.

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Please note that if you sign the form of election but do not specify the number of Shares in respect of which you wish to receive your Interim Dividend to be satisfied by the allotment and issue of the Scrip Shares or, if you elect for payment of the Interim Dividend to be satisfied by the allotment and issue of the Scrip Shares in respect of a number of Shares greater than your registered holding of Shares, then in either case you will be deemed to have exercised your election for Scrip Shares in lieu of cash in respect of all the Shares registered in your name.

If you do not complete and return the form of election before the time and in the manner stated above, you will receive the whole of your Interim Dividend in cash.

Listing of the Scrip Shares and despatch of certificates of the Scrip Shares

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme. No part of the Company's securities is listed or dealt in on any other stock exchange except the Stock Exchange, and no such listing or permission to deal is being, or is proposed to be sought. It is expected that certificates for the Scrip Shares will be posted to the Qualifying Shareholders at their own risk on or about **Friday, 13 March 2015**. On this basis, dealings in the Scrip Shares are expected to commence on **Monday, 16 March 2015**.

Recommendation and advice

Whether or not it is to your advantage to receive the Interim Dividend, wholly in cash or satisfied by the allotment and issue of the Scrip Shares, in whole or in part, depends upon your own individual circumstances and the movement of the Company's share price in the market. The decision in this regard and all consequences resulting from such decision are the sole responsibility of each shareholder of the Company. If you are in any doubt as to what to do, you should consult your own professional adviser. This applies particularly to shareholders who are trustees, who are recommended to seek professional advice as to whether they have the powers to make any relevant election and as to the effect of the election having regard to the terms of the relevant trust instrument.

Disclosure of interests

Shareholders of the Company should note that an acquisition of Scrip Shares under the Scrip Dividend Scheme may give rise to notification requirements under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Shareholders of the Company who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

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