

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

**If you have sold or transferred** all your shares in Victory City International Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer 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)

**AMENDMENTS TO BYE-LAWS,  
SCRIP DIVIDEND SCHEME,  
PROPOSED GRANT OF GENERAL MANDATES TO ISSUE AND  
REPURCHASE SHARES  
AND  
RE-ELECTION OF DIRECTORS**

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A notice convening the annual general meeting of Victory City International Holdings Limited to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, Hong Kong at 10:00 a.m. on Friday, 25 August 2006 is set out on pages 16 to 23 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Secretaries Limited, the branch share registrar of Victory City International Holdings Limited in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

31 July 2006

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Annual General Meeting”	the annual general meeting of the Company to be convened and held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, Hong Kong at 10:00 a.m. on Friday, 25 August 2006, the notice of which is set out on pages 16 to 23 of this circular, and any adjournment thereof
“associates”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company, as amended from time to time
“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda and the Shares of which are listed on the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda
“Directors”	the directors of the Company
“Extension Mandate”	a general and unconditional mandate to the Directors to extend the Issue Mandate by an amount representing the aggregate amount of shares repurchased under the Repurchase Mandate
“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
“Issue Mandate”	a general and unconditional mandate to the Directors to exercise the power of the Company to allot, issue or otherwise deal with shares of the Company of up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution at the Annual General Meeting
“Latest Practicable Date”	25 July 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Qualifying Shareholders”	the Shareholders whose registered address are in Hong Kong as shown on the register of members of the Company on the Record Date, other than Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are outside Hong Kong (if any) to whom the Directors, based on legal advice provided by legal advisers and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient to exclude such Shareholder(s) from the Scrip Dividend Scheme
“Record Date”	Friday, 25 August 2006
“Repurchase Mandate”	a general and unconditional mandate to the Directors to enable them to repurchase shares of the Company the aggregate nominal amount of which shall not exceed 10% of the aggregate nominal amount of the share capital in issue as at the date of passing of the relevant resolution at the Annual General Meeting
“Scrip Dividend Scheme”	the declaration of a final dividend for the year ended 31 March 2006 of HK\$0.06 per Share by way of cash with an option to elect to receive wholly or partly an allotment and issue of Shares credited as fully paid in lieu of cash payment
“Scrip Shares”	the new Shares to be allotted and issued pursuant to the Scrip Dividend Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“%”	per cent.



**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 (*Managing Director*)

So Kam Wah

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

Hong Kong

31 July 2006

*To the Shareholders*

Dear Sirs

**AMENDMENTS TO BYE-LAWS,  
SCRIP DIVIDEND SCHEME,  
PROPOSED GRANT OF GENERAL MANDATES TO ISSUE AND  
REPURCHASE SHARES  
AND  
RE-ELECTION OF DIRECTORS**

**INTRODUCTION**

The primary purpose of this circular is to provide you with information regarding the resolutions to be proposed at the Annual General Meeting and to give you notice of the Annual General Meeting. Resolutions to be proposed at the Annual General Meeting include a special resolution relating to the amendments of the Bye-Laws and ordinary resolutions relating to the Scrip Dividend Scheme, the grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate, and the re-election of Directors.

\* *for identification purposes only*

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## LETTER FROM THE BOARD

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### AMENDMENTS TO BYE-LAWS

The Stock Exchange has made certain amendments to the Listing Rules including, among other matters, the implementation of the Code on Corporate Governance Practices (“CG Code”), set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005. Appendix 3 to the Listing Rules has also been recently revised to the effect that the listed issuer shall have the power by ordinary resolution in general meeting to remove any director before the expiration of his period of office and such amendment came into effect on 1 March 2006.

To align further with the CG Code and with the amended Appendix 3 to the Listing Rules, it is proposed that the Bye-Laws be amended, among others, to the effect that:

- (a) voting by poll can be required by Directors attending the meeting holding proxies in respect of Shares representing 5% or more of the total voting rights at the meeting;
- (b) all Directors appointed by the Board to fill casual vacancy on the Board should be subject to election by the Shareholders at the first general meeting after their appointment; and
- (c) any Director can be removed by an ordinary resolution before expiration of his period of office.

A special resolution in relation to the above proposed amendments to the Bye-Laws will be put forth as special business at the Annual General Meeting for consideration and, if thought fit, approval by the Shareholders. A full text of the special resolution for the proposed amendments to the Bye-Laws is contained in resolution numbered 5 set out on pages 17 to 19 of this circular.

### SCRIP DIVIDEND SCHEME

By the announcement of the results for the year ended 31 March 2006 of the Company dated 12 July 2006, the Directors announced that they had resolved to recommend the payment of a final dividend of HK6.0 cents per Share for the year ended 31 March 2006 to the Shareholders whose names appear on the register of members of the Company on the Record Date and also to recommend the Scrip Dividend Scheme to the Qualifying Shareholders, subject to the approval of the Shareholders on the payment of final dividend by way of the Scrip Dividend Scheme at the Annual General Meeting and the granting by the Stock Exchange of the listing of, and permission to deal in, the Scrip Shares to be allotted and issued pursuant thereto.

In arriving at the decision to recommend the Scrip Dividend Scheme to the Shareholders, the Directors consider that while the Company should declare a final dividend for the financial year ended 31 March 2006, the retention of cash, which would otherwise have been paid to the Shareholders as a cash dividend, within the Group would enhance the continuous growth, maintain the financial stability and reduce the financing costs of the Group. On the other hand, the Scrip Dividend Scheme will give those Qualifying Shareholders who wish to further invest in the Company the opportunity to increase their equity investment in the Company.

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## LETTER FROM THE BOARD

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Qualifying Shareholders are entitled to elect to have the final dividend to be made payable to them wholly in cash or in Shares or partly in cash and in Shares. Shareholders whose registered addresses are outside Hong Kong as shown in the register of members of the Company on the Record Date (if any) may not be permitted to participate in the Scrip Dividend Scheme if the Directors consider that the circulation of an offer of such election to such Shareholders would or might be unlawful or impracticable and accordingly no form of election will be sent to such Shareholders and they will receive the final dividend wholly in cash. As at the Latest Practicable Date, no Shareholders had a registered address outside Hong Kong as appeared on the register of members of the Company. Should there be any Shareholder whose registered address is outside Hong Kong as shown in the register of members of the Company on the Record Date, the Company will make enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange for considering whether to exclude such Shareholder from the Scrip Dividend Scheme and it may only exclude such Shareholder on the basis that, having made such enquiry, it would be necessary or expedient to do so.

For the purpose of calculating the number of Scrip Shares, the value of the Scrip Shares will be fixed by the Board at its discretion with reference to the average of the closing prices of the Shares on the Stock Exchange for the five consecutive trading days ending on (and including) the Record Date less a discount of 5% of such average price or the par value of Shares, whichever is the higher. The number of Scrip Shares to be 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 Scrip Share under the Scrip Dividend Scheme. Fractional entitlements to Scrip Shares will be aggregated and sold for the benefit of the Company.

The Scrip Shares 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 they will not be entitled to the final dividend for the year ended 31 March 2006.

On the condition that the payment of the above final dividend by way of the Scrip Dividend Scheme is approved by the Shareholders at the Annual General Meeting, an announcement in relation to the basis of allotment of the Scrip Shares will be published on the next business day after the Annual General Meeting and a circular containing details of the Scrip Dividend Scheme, together with a form of election (to the Qualifying Shareholders only), will be despatched to the Shareholders shortly after the Annual General Meeting.

Subject to the passing of the resolution concerned at the Annual General Meeting, application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scrip Shares.

No part of the Scrip Shares will be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

In order to ascertain the entitlements to the final dividend for the year ended 31 March 2006, the register of members of the Company will be closed from Tuesday, 22 August 2006 to Friday, 25 August 2006 (both days inclusive) during which period no transfer of Shares will be registered.

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## LETTER FROM THE BOARD

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The last day for dealing in Shares cum entitlements to the proposed final dividend for the year ended 31 March 2006 will be on Thursday, 17 August 2006. Shareholders are reminded that in order to qualify for the proposed final dividend for the year ended 31 March 2006, all transfers of Shares accompanied by the relevant share certificate and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 21 August 2006.

Subject to the approval by the Shareholders of the Scrip Dividend Scheme at the Annual General Meeting and the grant by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Scrip Shares on the Stock Exchange, the dealings in the Scrip Shares on the Stock Exchange are expected to commence on or around Tuesday, 17 October 2006.

### **ISSUE MANDATE**

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given the Issue Mandate. As at the Latest Practicable Date, a total of 643,601,133 Shares were in issue. Subject to the passing of the proposed resolution granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Issue Mandate to issue a maximum of 128,720,226 Shares.

### **REPURCHASE MANDATE AND EXTENSION MANDATE**

At the Annual General Meeting, an ordinary resolution will also be proposed to give the Directors the Repurchase Mandate.

In addition, an ordinary resolution regarding the Extension Mandate will be proposed at the Annual General Meeting providing that any shares of the Company repurchased under the Repurchase Mandate (up to a maximum of 10% of the issued Shares as at the date of the grant of the Repurchase Mandate) will be added to the total nominal value of shares of the Company which may be allotted and issued under the Issue Mandate.

The Issue Mandate and the Repurchase Mandate would expire at the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the end of the period within which the Company is required by the Companies Act or the Bye-Laws to hold its next annual general meeting; and
- (c) when revoked or varied by ordinary resolution(s) of the Shareholders in general meeting prior to the next annual general meeting of the Company.

Under the Listing Rules, the Company is required to give all Shareholders all information which is reasonably necessary to enable Shareholders to make an informed decision as to whether to vote for or against the resolution in respect of the Repurchase Mandate at the Annual General Meeting. An explanatory statement for such purpose is set out in Appendix I to this circular.



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## LETTER FROM THE BOARD

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### ANNUAL GENERAL MEETING

At the Annual General Meeting, ordinary/special resolutions will be proposed to approve, among other matters, the following:

- (a) the amendments to the Bye-Laws;
- (b) the Scrip Dividend Scheme; and
- (c) the grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate.

A notice of the Annual General Meeting is set out on pages 16 to 23 of this circular.

Whether or not you are able to attend the Annual General Meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event not later than 48 hours before the time for the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish.

### RECOMMENDATION

The Directors believe that the amendments to the Bye-Laws, the Scrip Dividend Scheme, and the grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate are beneficial to the Company and the Shareholders as a whole.

The Directors believe that an exercise of the Issue Mandate will enable the Company to take advantage of market conditions to raise additional capital for the Company.

The Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be exercised when the Directors believe that repurchases of Shares will benefit the Company and the Shareholders.

An exercise of the Repurchase Mandate in full may have a material adverse impact on the working capital and gearing position of the Company compared with that as at 31 March 2006, being the date of its latest audited consolidated financial statements. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

Accordingly, the Directors recommend the Shareholders to vote in favour of the special resolution approving the amendments to the Bye-Laws and the ordinary resolutions approving the Scrip Dividend Scheme, and the grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate at the Annual General Meeting.

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## LETTER FROM THE BOARD

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### RE-ELECTION OF DIRECTORS

In accordance with bye-law 87(1) of the Bye-Laws, each of Messrs Li Ming Hung, Chen Tien Tui and Choi Lin Hung will retire as Director by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election as Director by the Shareholders at the Annual General Meeting.

In accordance with bye-law 86(2) of the Bye-Laws, the office of directorship of Mr Kwok Sze Chi, who was appointed by the Board to fill casual vacancy on 31 March 2006, will end at the Annual General Meeting and he, being eligible for re-election, will offer himself for re-election by the Shareholders at the Annual General Meeting.

Brief particulars of Messrs Li Ming Hung, Chen Tien Tui, Choi Lin Hung and Kwok Sze Chi are set out in Appendix III to this circular.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular and the notice of the Annual General Meeting.

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

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to enable you to make an informed decision whether to vote for or against the resolution to approve the grant of the Repurchase Mandate to the Directors.

## **LISTING RULES RELATING TO THE REPURCHASE OF SECURITIES**

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which is summarised below. The Company is empowered by its memorandum of association and Bye-Laws to repurchase its own securities.

## **SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 643,601,133 Shares.

Subject to the passing of the proposed resolution for the grant of the Repurchase Mandate and on the basis that no Shares are allotted and issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 64,360,113 Shares.

## **REASONS FOR THE REPURCHASE**

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders. An exercise of the power of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share. Such an exercise will only be made if the Directors believe that a repurchase of Shares will benefit the Company and its Shareholders.

## **FUNDING OF REPURCHASES**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and Bye-Laws, the Listing Rules and the applicable laws of Bermuda.

Repurchase must be funded out of funds which are legally available for the purpose and in accordance with the memorandum of association and Bye-Laws of the Company and the Companies Act. Under the Companies Act, a company may only repurchase its own securities out of capital paid up on its shares to be repurchased or out of the funds of the company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose.

Any amount of premium payable on a repurchase over the par value of the shares may only be effected out of funds of the company which would otherwise be available for dividend or distribution or out of the company's share premium account. Such purchase may not be made if, on the date the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

Taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with that as at 31 March 2006, being the date of its latest published audited consolidated accounts. However, the Directors do not intend to make any repurchases to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements and/or the gearing position of the Group which in the opinion of the Directors are from time to time appropriate for the Group.

## SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the twelve months preceding the date of this circular were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2005</b>		
July	2.575	2.200
August	2.500	1.830
September	2.200	2.025
October	2.100	1.880
November	2.300	1.980
December	2.400	2.150
<b>2006</b>		
January	2.725	2.175
February	3.200	2.675
March	2.900	2.450
April	2.950	2.625
May	2.825	2.500
June	2.775	2.275
July ( <i>Note</i> )	2.725	2.330

*Note: up to the Latest Practicable Date*

## DISCLOSURE OF INTERESTS AND MINIMUM PUBLIC HOLDING

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates (as defined in the Listing Rules), have any present intention to sell to the Company or its subsidiaries any of the securities in the Company if the grant of the Repurchase Mandate is approved at the Annual General Meeting and exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make purchases of its Shares pursuant to the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Bermuda and the regulations set out in the memorandum of association of the Company and the Bye-Laws.

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Mr Li Ming Hung and Mr Chen Tien Tui ("**Concert Party**"), being parties acting in concert as defined under the Takeovers Code, were interested in approximately an aggregate of 32.23% of the then existing issued Shares and Trustcorp Limited was interested in approximately 29.42% of the then existing issued Shares. On the basis of 643,601,133 Shares in issue as at the Latest Practicable Date and assuming no further issue and repurchase of Shares prior to the date of the Annual General Meeting, if the Repurchase Mandate were exercised in full, the percentage interest of the Concert Party and Trustcorp Limited would increase to approximately 35.81% and 32.69% respectively of the then issued Shares.

On the basis of the current shareholding of the Concert Party and Trustcorp Limited, an exercise of the Repurchase Mandate in full will result in the Concert Party, Trustcorp Limited and their respective concert parties becoming obliged to make a mandatory offer under the Takeovers Code.

The Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in any of the Concert Party, Trustcorp Limited and their respective concert parties becoming obliged to make a mandatory offer under the Takeovers Code.

As at the Latest Practicable Date, no connected person of the Company had notified the Company that he/she/it had a present intention to sell any securities of the Company nor had such connected person undertaken not to sell any of the securities held by him/her/it to the Company in the event that the Repurchase Mandate is granted.

#### **SECURITIES REPURCHASE MADE BY THE COMPANY**

The Company has not purchased any of the Shares (whether on the Stock Exchange or otherwise) during the twelve months immediately preceding the date of this circular.

Pursuant to bye-law 66 of the Bye-Laws, a resolution put to the vote of any general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders of the Company present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

**PARTICULARS OF DIRECTORS FOR RE-ELECTION**

The particulars of the Directors eligible for re-election at the Annual General Meeting are set out below:

**(1) MR LI MING HUNG**

Mr Li, aged 55, is the chairman of the Company and a co-founder of the Group. He is also a director of various subsidiaries of the Company. He has over 29 years experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group.

Save as disclosed above, in the three years immediately preceding the Latest Practicable Date, Mr Li had not held any directorship in listed public companies or other major appointments and qualifications.

As at the Latest Practicable Date, Mr Li was interested in 103,394,000 shares and 1,500,000 underlying shares (being shares to be allotted on exercise of share options granted under the share option scheme of the Company) in the Company, representing approximately 16.06% and 0.23% respectively of the issued share capital of the Company as at the Latest Practicable Date, within the meaning of Part XV of the SFO. Mr Li is an executive Director, a director of Madian Star Limited and Yonice Limited which are substantial shareholders of the Company, and the founder (within the meaning of Part XV of the SFO) of a discretionary trustee whose objects are Mr Li's family members. The entire issued share capital of each of Pearl Garden Pacific Limited and Cornice Worldwide Limited, which are substantial shareholders of the Company, is indirectly held by such discretionary trust. Save as disclosed above, Mr Li is not related to any other directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr Li has entered into a service contract with the Company for an initial term of three years with effect from 1 April 1996 and the term shall continue thereafter unless either party terminate the service contract by giving to the other party at least six month's notice in writing or any termination event specified in the service contract occurs. For the year ended 31 March 2006, Mr Li was entitled under the service contract to a salary and a bonus which in aggregate amount to approximately HK\$4.1 million. In addition to the above, Mr Li is also entitled under the service contract to the use of a motor vehicle, medical and life insurance at the expense of the Company for his benefit as the Board shall determine, and such of the benefits under any employee benefit plan adopted or to be adopted by any member of the Group for any of their respective employees as the Board may determine. Mr Li's remuneration is determined with reference to his performance and contribution to the Group.

**(2) MR CHEN TIEN TUI**

Mr Chen, aged 57, is the Managing Director and a co-founder of the Group. He is also a director of various subsidiaries of the Company. He has over 27 years experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group.

Save as disclosed above, in the three years immediately preceding the Latest Practicable Date, Mr Chen had not held any directorship in listed public companies or other major appointments and qualifications.

As at the Latest Practicable Date, Mr Chen was interested in 104,012,000 shares and 1,500,000 underlying shares (being shares to be allotted on exercise of share options granted under the share option scheme of the Company) in the Company, representing approximately 16.16% and 0.23% respectively of the issued share capital of the Company as at the Latest Practicable Date, within the meaning of Part XV of the SFO. Mr Chen is an executive Director, a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited which are substantial shareholders of the Company, and the founder (within the meaning of Part XV of the SFO) of a discretionary trustee whose objects are Mr Chen's family members. The entire issued share capital of each of Madian Star Limited and Yonice Limited, which are substantial shareholders of the Company, is indirectly held by such discretionary trust. Save as disclosed above, Mr Chen is not related to any other directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr Chen has entered into a service contract with the Company for an initial term of three years with effect from 1 April 1996 and the term shall continue thereafter unless either party terminate the service contract by giving to the other party at least six month's notice in writing or any termination event specified in the service contract occurs. For the year ended 31 March 2006, Mr Chen was entitled under the service contract to a salary and a bonus which in aggregate amount to approximately HK\$4.1 million. In addition to the above, Mr Chen is also entitled under the service contract to the use of a motor vehicle, medical and life insurance at the expense of the Company for his benefit as the Board shall determine, and such of the benefits under any employee benefit plan adopted or to be adopted by any member of the Group for any of their respective employees as the Board may determine. Mr Chen's remuneration is determined with reference to his performance and contribution to the Group.

### **(3) MR CHOI LIN HUNG**

Mr Choi, aged 44, is the Executive Director of the Group. He is also a director of various subsidiaries of the Company. He holds a Master in Business Administration and is responsible for the strategic planning and corporate development of the Group. Prior to joining the Group in 2001, Mr Choi has over 9 years' banking experience and 6 years' management experience in garment and textile industry.

Save as disclosed above, in the three years immediately preceding the Latest Practicable Date, Mr Choi had not held any directorship in listed public companies or other major appointments and qualifications.

As at the Latest Practicable Date, Mr Choi was interested in 2,772,000 shares and 9,000,000 underlying shares (being shares to be allotted on exercise of share options granted under the share option scheme of the Company) in the Company, representing approximately 0.43% and 1.40% respectively of the issued share capital of the Company as at the Latest Practicable Date, within the meaning of Part XV of the SFO. Save as being an executive Director, Mr Choi is not related to any other directors, senior management, substantial shareholders or controlling shareholders of the Company.



Mr Choi has not entered into any service contract with the Company or any other members of the Group and is not appointed for a specific term of directorship, but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-Laws. For the year ended 31 March 2006, Mr Choi was entitled to an annual salary of approximately HK\$2.4 million and the use of a private car provided by the Group. Mr Choi's remuneration is determined with reference to his performance and contribution to the Group.

**(4) MR KWOK SZE CHI**

Mr Kwok, aged 51, joined the Group as an independent non-executive Director in March 2006 and is not holding any other position with any member of the Group. Mr Kwok currently holds a registered investment adviser licence and is a director of The Institute of Securities Dealers and the deputy chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators. Having served the securities industry for 30 years, Mr Kwok has vast experience in securities and futures investment and operation. Since 1985, Mr Kwok has been invited to appear on television and radio programmes to explain market trends and analyze stock market developments. He also provides professional investment analyses in newspapers and investment websites.

Save as disclosed above, in the three years immediately preceding the Latest Practicable Date, Mr Kwok had not held any directorship in listed public companies or other major appointments and qualifications.

As at the Latest Practicable Date, Mr Kwok did not have any interest in the shares or underlying shares in the Company within the meaning of Part XV of the SFO. Apart from being an independent non-executive Director, Mr Kwok is not related to any other directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr Kwok is entitled to an annual director's fee of HK\$150,000 as determined by the Board with regard to the expected time to be spent by Mr Kwok on the affairs of the Company.

Mr Kwok has not entered into any service contract with the Company or any of its subsidiaries. He is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's bye-laws.

**GENERAL**

Save as disclosed above, the Directors consider that there is no information to be disclosed pursuant to any requirement of Rule 13.51(2) of the Listing Rules (particularly under sub-paragraphs (h) to (v) of that Rule) and that there are no other matters in relation to the re-election of Directors at the Annual General Meeting which need to be brought to the attention of the Shareholders.



**VICTORY CITY INTERNATIONAL HOLDINGS LIMITED**

**冠華國際控股有限公司\***

*(incorporated in Bermuda with limited liability)*

(Stock Code: 539)

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Victory City International Holdings Limited (“**Company**”) will be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, Hong Kong on Friday, 25 August 2006 at 10:00 a.m. to transact the following ordinary businesses:

1. to receive and approve the audited consolidated financial statements and the reports of the directors of the Company and the Company’s auditors for the year ended 31 March 2006;
2. to declare a final dividend for the year ended 31 March 2006 of HK\$0.06 per share (each a “**Share**”) of HK\$0.01 each in the capital of the Company by way of a scrip dividend (“**Scrip Dividend Scheme**”) with an option to elect to receive an allotment and issue of Shares credited as fully paid in lieu of cash payment;
3. to consider and approve, each as a separate resolution, if thought fit, the following resolutions:
  - (a) to re-elect Mr Li Ming Hung as a director;
  - (b) to re-elect Mr Chen Tien Tui as a director;
  - (c) to re-elect Mr Choi Lin Hung as a director;
  - (d) to re-elect Mr Kwok Sze Chi as a director; and
  - (e) to authorise the board of directors to fix the directors’ remuneration;
4. to re-appoint the Company’s auditors and to authorise the board of directors to fix their remuneration;

\* *For identification purpose only*

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and, as special businesses, to consider and, if thought fit, pass the following resolutions as special resolution or ordinary resolutions:

### SPECIAL RESOLUTION

5. **“THAT** the Bye-laws of the Company (**“Bye-laws”**) be and are hereby amended in the following manner:

(a) New Bye-law 11A

(i) by inserting the following as new Bye-law 11A immediately after Bye-law 11:

“11A. Subject to the Act, the power of the Company to purchase or otherwise acquire its shares (including its redeemable shares) and warrants or other securities for the subscription or purchase of its own shares (including redeemable shares) shall be exercisable by the Directors upon such terms and subject to such conditions as they think fit provided that, in respect of a purchase of redeemable shares:

(a) the price per share for purchases proposed to be made otherwise than by tender in the manner prescribed in (b) below or on or through a stock exchange on which such shares are listed with the consent of the Company shall not exceed one hundred (100) per cent. of the average closing prices for dealings in one or more board lots of such shares on the Designated Stock Exchange on which the shares are traded for the five (5) trading days immediately before the date on which the purchase is made (whether conditionally or otherwise); and

(b) where any such purchase is proposed to be made by tender, tenders shall be made available to all holders of such shares on the same terms.”; and

(ii) by inserting the heading “PURCHASE OF OWN SECURITIES” between Bye-law 11 and the new Bye-law 11A mentioned in sub-paragraph (a)(i) above;

(b) Bye-law 66

(i) by inserting the following words immediately after the words “on a show of hands unless” in the last sentence of the opening paragraph of the existing Bye-law 66:

“voting by way of a poll is required by the rules of the Designated Stock Exchange or”;

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- (ii) by deleting the full-stop at the end of the existing Bye-law 66(d) and substituting a semi-colon therefor and thereafter the word “or”; and
- (iii) by inserting the following new Bye-law 66(e) immediately after the existing Bye-law 66(d):

- “(e) if required by the rules of the Designated Stock Exchange, by the chairman of such meeting and/or the Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights of all Members having right to vote at such meeting.”;

- (c) Bye-law 67

by deleting Bye-law 67 in its entirety and substituting the following therefor:

“Unless a poll is so required or demanded and, in the latter case, not withdrawn, the chairman of the meeting should indicate to the meeting of the Company the level of proxies lodged on each resolution and the balance for and against the resolution, after it has been dealt with on a show of hands.”;

- (d) Bye-law 68

by replacing the sentence “There shall be no requirement for the chairman to disclose the voting figures on a poll.” with the following sentence:

“The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange.”;

- (e) Bye-law 86(2)

by deleting the sentence “Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.” and substituting the following sentence therefor:

“Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of the filling of casual vacancy on the Board), or until the next following annual general meeting of the Company (in the case of an addition to the existing Board), and shall then be eligible for re-election at that meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting.”;

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(f) Bye-law 86(4)

by deleting the word “special” immediately before the words “resolution remove a Director at any time before the expiration of his period of office” and substituting the word “ordinary” therefor;

(g) Bye-law 87

by inserting the words “and shall continue to act as a Director throughout the meeting at which he retires” after the word “re-election” at the end of the first sentence of paragraph (2);

(h) Bye-law 103

by inserting the following new Bye-law 103(5) immediately after the existing Bye-laws 103(4):

“(5) Where a substantial shareholder (within the meaning of the rules of the Designated Stock Exchange) or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should not be dealt with by way of circulation of board resolutions pursuant to this Bye-law or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held with the presence of the independent non-executive Directors who, and whose associates, have no material interest in the transaction.”; and

(i) Bye-law 115

by deleting the existing Bye-law 115 in its entirety and substituting the following therefor:

“115. A meeting of the Board may be convened by the Secretary on request of a Director or by any Director. A notice thereof shall be given in writing or by telephone or by facsimile, telex or telegram at the address or telephone, facsimile or telex number from time to time notified to the Company by such Director, or in such manner as the Board may from time to time determine, as may be accepted by the Designated Stock Exchange and permitted under the rules of the Designated Stock Exchange. At least 14 days’ notice shall be given to each Director for any regular meeting of the Board, provided that notice need not be given to any Director or alternate Director for the time being absent from Hong Kong and irrespective of the length of notice given, and unless all Directors unanimously waive such notice either prospectively or retrospectively. A Director’s attendance at the meeting shall be deemed to be a waiver of the requisite length of notice of the meeting by the Director.”

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### ORDINARY RESOLUTIONS

6. “THAT:

- (a) subject to paragraph (c) below, pursuant to the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue or otherwise deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares in the Company, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any options granted under all share option schemes of the Company adopted from time to time in accordance with the Listing Rules; or (iii) any scrip dividend or similar arrangements including the Scrip Dividend Scheme (as defined in resolution numbered 2 set out in the notice convening this meeting) providing for the allotment and issue of shares in the Company in lieu of the whole or part of a dividend on shares in the Company in accordance with the bye-laws of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares in the Company shall not exceed the aggregate of:
  - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
  - (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

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- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

“**Rights Issue**” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares in the Company open for a period fixed by the directors of the Company to holders of shares in the Company on the Company’s register of members on a fixed record date in proportion to their then holdings of shares in the Company (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

7. “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) or any other stock exchange on which shares in the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange, the Companies Act 1981 of Bermuda (“**Companies Act**”) and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares in the Company which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

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- (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act or any other applicable law of Bermuda to be held; and
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”
8. “**THAT** conditional on the passing of resolutions number 6 and 7 above, the general mandate granted to the directors of the Company pursuant to paragraph (a) of resolution no.6 above be and it is hereby extended by the addition to the aggregate nominal amount of shares which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to or in accordance with such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company pursuant to or in accordance with the authority granted under paragraph (a) of resolution no.7 above.”

By order of the board of directors of  
**Victory City International Holdings Limited**  
**Lee Chung Shing**  
*Company Secretary*

Hong Kong, 31 July 2006

*Registered office:*  
Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

*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



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*Notes:*

- 1 A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
- 2 To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time of the meeting or any adjourned meeting.
- 3 In relation to proposed resolutions numbered 6 and 8 above, approval is being sought from the shareholders for the grant to the directors of a general mandate to authorise the allotment and issue of shares under the Listing Rules. The directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme including the Scrip Dividend Scheme (as defined in proposed resolution numbered 2 contained in this notice) which may be approved by the shareholders.
- 4 In relation to proposed resolution numbered 7 above, the directors wish to state that they will exercise the powers conferred thereby to purchase shares in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be set out in a separate document to be despatched to the shareholders.
- 5 Delivery of an instrument appointing a proxy should not preclude member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- 6 In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- 7 As at the date of this notice, the board of directors of the Company comprises Mr Li Ming Hung, Mr Chen Tien Tui, Mr So Kam Wah, Mr Lee Yuen Chiu, Andy and Mr Choi Lin Hung as executive directors and Mr Kan Ka Hon, Mr Phaisalakani Vichai and Mr Kwok Sze Chi as independent non-executive directors.