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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)

SCRIP DIVIDEND SCHEME

Reference is made to the Announcement dated 12 July 2006 and the Circular dated 31 July 2006.

By the Announcement it was announced that the Directors had resolved to recommend the Final Dividend by way of the Scrip Dividend Scheme to the Qualifying Shareholders.

The Board is pleased to announce that the Final Dividend and the Scrip Dividend Scheme were approved by the Shareholders at the Annual General Meeting held on 25 August 2006.

The purpose of this announcement is to advise the Qualifying Shareholders as to how the entitlements under the Scrip Dividend Scheme were arrived at.

Reference is made to the announcement (“**Announcement**”) of Victory City International Holdings Limited (“**Company**”) dated 12 July 2006 and the circular (“**Circular**”) of the Company dated 31 July 2006. Terms used in this announcement have the same meanings as defined in the Circular, unless the context otherwise requires.

SCRIP DIVIDEND SCHEME

By the Announcement it was announced that the Directors had resolved to recommend a final dividend (“**Final Dividend**”) for the year ended 31 March 2006 of HK\$0.06 per Share by way of the Scrip Dividend Scheme to the Qualifying Shareholders whose names appear on the register of members of the Company on 25 August 2006. At the Annual General Meeting held on 25 August 2006, the Final Dividend and the Scrip Dividend Scheme were approved by the Shareholders.

As at the Record Date, no Shareholders have a registered address outside Hong Kong as appear on the register of members of the Company. Accordingly, all Shareholders whose names appear 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.

In relation to the calculation of the number of Scrip Shares to be allotted and issued to the Qualifying Shareholders who, under the Scrip Dividend Scheme, are entitled to elect to receive the Scrip Shares in lieu of cash, Shareholders should note that the average of the closing prices of the Shares on the Stock Exchange for the five consecutive trading days ended 25 August 2006 was HK\$2.466. The Board has therefore fixed the price per Scrip Share at HK\$2.3427. For the purpose of reference only, the number of Scrip Shares which the Qualifying Shareholders will receive, in respect of all existing Shares registered in their names as at the Record Date and for

which election to receive the Scrip Shares are made, will be calculated based on the following formula:

$$\begin{array}{rclclcl} \text{Number of} & & \text{Number of existing Shares} & & \text{HK\$0.06} & & 100 \\ \text{Scrip Shares} & = & \text{for which share election} & \times & \frac{\quad}{\text{HK\$2.466}} & \times & \frac{\quad}{95} \\ \text{to be received} & & \text{is made} & & & & \end{array}$$

Qualifying Shareholders are entitled to elect to have the Final Dividend to be made payable to them wholly in cash or in Scrip Shares, or partly in cash and partly in Scrip Shares.

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 Scrip Share under the Scrip Dividend Scheme. Fractional entitlements to the 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.

Qualifying Shareholders who wish to receive the Final Dividend wholly or partly in Scrip Shares should complete the form of election and lodge it with the Company's branch share registrar in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong **not later than 4:30 p.m. on Wednesday, 27 September 2006.**

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Scrip Shares. Subject to the Scrip Shares being admitted to listing, it is expected that certificates for the Scrip Shares and dividend cheques will be posted at the risk of those entitled to them on or about **Friday, 13 October 2006.**

A circular containing further details of the Scrip Dividend Scheme and the basis of allotment of the Scrip Shares pursuant to the Scrip Dividend Scheme and a form of election (to be sent to the Qualifying Shareholders only) will be despatched to the Shareholders shortly.

As at the date of this announcement, the Board comprises five executive Directors, namely, Li Ming Hung, Chen Tien Tui, So Kam Wah, Lee Yuen Chiu, Andy and Choi Lin Hung, and three independent non-executive Directors, namely, Kan Ka Hon, Phaisalakani Vichai and Kwok Sze Chi.

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

Hong Kong, 25 August 2006

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.