
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer 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 hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Capitalised terms used in this circular shall have the same meanings as defined in the section headed "Definitions" in this circular.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 539)

**CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS**

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**

OSK Capital Hong Kong Limited

A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee is set out on page 15 of this circular. A letter from OSK Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 30 of this circular.

A notice convening the SGM to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong at 10:00 a.m. on 7 April 2010 is set out on pages 42-44 of this circular. A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Secretaries Limited, the branch share registrar and transfer office of the Company 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 SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

18 March 2010

* *For identification purpose only*

CONTENTS

	<i>Page</i>
DEFINITIONS	1
 LETTER FROM THE BOARD	
1. INTRODUCTION	4
2. CONNECTED TRANSACTION	5
3. CONTINUING CONNECTED TRANSACTIONS	8
4. SGM	13
5. RECOMMENDATION	14
6. ADDITIONAL INFORMATION	14
 LETTER FROM THE INDEPENDENT BOARD COMMITTEE	 15
 LETTER FROM OSK CAPITAL	 16
 APPENDIX – GENERAL INFORMATION	 31
 NOTICE OF SGM	 42

DEFINITIONS

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

“Agreement”	the sale and purchase agreement in relation to the Transaction entered into between V-Apparel as vendor and Ford Glory as purchaser on 25 February 2010
“associates”	has the meaning as ascribed thereto under Rule 1.01 and Rule 14A.11(4) of the Listing Rules
“Board”	the board of Directors
“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Sale Shares and the Sale Loan
“Continuing Connected Transactions”	the transactions contemplated under the Master Agreements
“Directors”	the directors of the Company
“Fabric Master Agreement”	the master agreement dated 25 February 2010 and entered into between VC (Holdings) (on its behalf and as trustee for the benefit of other members of the VC Group) and Ford Glory (on its behalf and as trustee for the benefit of other members of the FG Group) in relation to the sale of fabric products by the VC Group to the FG Group
“FG Group”	Ford Glory and its subsidiaries from time to time
“Ford Glory”	Ford Glory Holdings Limited, a company incorporated in the British Virgin Islands and a non-wholly owned subsidiary of the Company, the purchaser under the Agreement and the purchaser under the Master Agreements
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee comprising the three independent non-executive Directors established by the Board for the purpose of advising the Independent Shareholders in relation to the Transaction and the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than Mr. Choi, Ford Glory and their respective associates
“Jiangmen Factory”	江門冠暉製衣有限公司 (Jiangmen V-Apparel Manufacturing LTD.), a company established in the People’s Republic of China and was owned as to 60% by Rocwide and 40% by Ford Glory as at the date of this circular
“Latest Practicable Date”	16 March 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreements”	collectively, the Fabric Master Agreement, the Steam and Electricity Master Agreement and the Yarn Master Agreement
“Mr. Choi”	Mr. Choi Lin Hung, an executive Director
“OSK Capital”	OSK Capital Hong Kong Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction and the Continuing Connected Transactions
“Rocwide”	Rocwide Limited, a company incorporated in the British Virgin Islands
“Sale Loan”	such amount as equals 100% of the face value of the loan outstanding as at completion of the Agreement made by or on behalf of V-Apparel to Rocwide; as at the date of the Agreement, the loan from V-Apparel to Rocwide amounted to HK\$23,714,000
“Sale Shares”	10 shares of US\$1.00 each in the issued capital of Rocwide

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be held on 7 April 2010 for approving, among other matters, the Transaction, the Continuing Connected Transactions and the proposed annual caps for the three years ending 31 March 2013 for the Continuing Connected Transactions
“Shareholders”	shareholders of the Company
“Steam and Electricity Master Agreement”	the master agreement dated 25 February 2010 and entered into between VC (Holdings) (on its behalf and as trustee for the benefit of other members of the VC Group) and Ford Glory (on its behalf and as trustee for the benefit of other members of the FG Group) in relation to the supply of steam and electricity by the VC Group to the FG Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated under the Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“V-Apparel”	V-Apparel International Limited (冠暉國際有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company and the vendor under the Agreement
“VC Group”	VC (Holdings) and its subsidiaries from time to time
“VC (Holdings)”	Victory City Holdings Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company and the vendor under the Master Agreements
“Yarn Master Agreement”	the master agreement dated 25 February 2010 and entered into between VC (Holdings) (on its behalf and as trustee for the benefit of other members of the VC Group) and Ford Glory (on its behalf and as trustee for the benefit of other members of the FG Group) in relation to the sale of yarn by the VC Group to the FG Group
“%”	per cent.

LETTER FROM THE BOARD



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

18 March 2010

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

To the Shareholders

Dear Sir or Madam,

1. INTRODUCTION

As disclosed in the announcement of the Company dated 25 February 2010, V-Apparel, a wholly-owned subsidiary of the Company, entered into the Agreement on 25 February 2010 with Ford Glory, pursuant to which V-Apparel has agreed to sell, and Ford Glory has agreed to purchase, the Sale Shares which represented 100% of the total issued shares of Rocwide and the Sale Loan.

Upon completion of the Agreement, Jiangmen Factory will become a wholly-owned subsidiary of Ford Glory and will accordingly become a connected person of the Company under Chapter 14A of the Listing Rules and the existing transactions between Jiangmen Factory and the VC Group will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

In order to regulate the business relationship between the VC Group and the FG Group (including Jiangmen Factory), on 25 February 2010, VC (Holdings), on its own behalf and as trustee for the benefit of other members of the VC Group, and Ford Glory, on its own behalf and as trustee for the benefit of other members of the FG Group, entered into the Master Agreements.

The Transaction and the Continuing Connected Transactions constitute connected transactions and continuing connected transactions, respectively, for the Company under Chapter 14A of the Listing Rules. The Transaction and the Continuing Connected Transactions are subject to the reporting and announcement requirements and the approval by the Independent Shareholders at the SGM.

The purpose of this circular is to provide you with the information in relation to the Transaction, the Continuing Connected Transactions, the advice of the Independent Board Committee, the letter of advice from OSK Capital to the Independent Board Committee and the Independent Shareholders, and the notice of the SGM.

2. CONNECTED TRANSACTION

The Agreement

Parties

- (a) V-Apparel, an investment holding company incorporated in Hong Kong and wholly-owned by the Company, as vendor; and
- (b) Ford Glory, an investment holding company incorporated in the British Virgin Islands and a non-wholly owned subsidiary indirectly owned by the Company, as purchaser.

Assets to be acquired

The 10 shares of US\$1.00 each in the issued share capital of Rocwide and the loan to Rocwide by V-Apparel, which amounted to HK\$23,714,000 as at the date of the Agreement.

Consideration

Pursuant to the Agreement, the Consideration of HK\$48 million shall be paid by Ford Glory to V-Apparel upon completion of the Agreement by cash or in such other manner as may be agreed by the parties to the Agreement. The Consideration is the aggregate sum of HK\$24,286,000 which represented the purchase price of the Sale Shares and HK\$23,714,000 which represented the purchase price of the Sale Loan.

The Consideration was determined after arm's length negotiations between V-Apparel and Ford Glory with reference to the consolidated net asset value of Rocwide of HK\$12,774,000 as at 30 September 2009 and the amount of the Sale Loan as at the date of the Agreement.

LETTER FROM THE BOARD

Conditions

Completion of the Agreement is conditional upon:

- (a) the Independent Shareholders approving, by way of ordinary resolution and on a poll at a general meeting, the Agreement and the Transaction and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange; and
- (b) if necessary, all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of Rocwide as contemplated by the Agreement having been obtained from the requisite government or regulatory authorities or any third parties.

Completion

Completion of the Agreement shall take place on the date when all the conditions are fulfilled (or waived) or such other date as V-Apparel and Ford Glory may agree in writing.

Information of Rocwide

As at the Latest Practicable Date, Rocwide is a company incorporated in the British Virgin Islands with limited liability and has an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 10 shares were issued and owned by V-Apparel. Rocwide is an investment holding company. It owned 60% of the equity interest in Jiangmen Factory while Ford Glory owned 40% of the equity interest in Jiangmen Factory as at the Latest Practicable Date. Jiangmen Factory is a company established in the People's Republic of China and is principally engaging in the manufacture of apparel. Upon completion of the Agreement, Rocwide and Jiangmen Factory will become wholly-owned subsidiaries of Ford Glory; and will remain indirect non-wholly owned subsidiaries of the Company through Ford Glory.

Based on the audited consolidated accounts of V-Apparel, the net total liabilities of Rocwide as at 31 March 2008 and 31 March 2009 were approximately HK\$377,000 and HK\$383,000 respectively. Rocwide's audited net profits before and after tax and extraordinary items for the year ended 31 March 2008 were both approximately HK\$320,000 and the net loss for the year ended 31 March 2009 was approximately HK\$5,000.

Based on the audited consolidated accounts of V-Apparel, the net total assets of Jiangmen Factory as at 31 March 2008 and 31 March 2009 were approximately HK\$44,845,000 and HK\$50,972,000 respectively. Jiangmen Factory's audited net profits before and after tax and extraordinary items for the year ended 31 March 2008 were both approximately HK\$8,606,000 and those for the year ended 31 March 2009 were approximately HK\$6,225,000 and HK\$5,120,000.

LETTER FROM THE BOARD

Reasons for the Transaction

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products. The disposal of Rocwide will help streamline the Group's operation and structure whereby the garment segment of the Group will be held by Ford Glory.

After completion of the Transaction, Rocwide and Jiangmen Factory will become wholly-owned subsidiaries of Ford Glory, which in turn is a non-wholly owned subsidiary of the Company. As Rocwide and Jiangmen Factory will become non-wholly owned subsidiaries of the Company after the Transaction; no gain or loss is expected to be recognised in the consolidated financial statements of the Group as a result of the Transaction. As the consideration is expected to be paid by a subsidiary to another subsidiary of the Company, so far as the Group as a whole is concerned, no proceed will be generated from the Transaction.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Agreement are fair and reasonable and are on normal commercial terms and that it is in the interests of the Group and the Shareholders as a whole.

Listing Rules implications

As at the Latest Practicable Date, Ford Glory was owned as to 51% by Victory City Investments Limited, a wholly-owned subsidiary of the Company, and as to 49% by Merlotte Enterprise Limited, a company wholly-owned by Mr. Choi. Pursuant to Rule 14A.11 (4) of the Listing Rules, Ford Glory, being an associate of Mr. Choi, is a connected person of the Company. Moreover, Ford Glory owned 40% of the equity interest of Jiangmen Factory, a non-wholly owned subsidiary of the Company, as at the Latest Practicable Date, and Ford Glory, being a substantial shareholder of Jiangmen Factory, is a connected person of the Company under Rule 14A.11 (1) of the Listing Rules.

Further, Ford Glory is a connected person of the Company under Rule 14A.11 (5) of the Listing Rules by virtue of the fact that it is a non wholly-owned subsidiary of the Company where Mr. Choi is entitled to control the exercise of more than 10% of the voting power at general meetings of Ford Glory through his wholly-owned company, Merlotte Enterprise Limited.

Accordingly, the Transaction constitutes a connected transaction under Rule 14A.13(1)(a) of the Listing Rules for the Company.

As one of the applicable percentage ratios of the Transaction exceeds 2.5% and the Consideration is more than HK\$10 million, the Transaction is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules.

LETTER FROM THE BOARD

3. CONTINUING CONNECTED TRANSACTIONS

Upon completion of the Agreement, Jiangmen Factory will become a wholly-owned subsidiary of Ford Glory and will accordingly become a connected person of the Company under Rule 14A.11 (6) of the Listing Rules and the existing transactions between Jiangmen Factory and the VC Group will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In order to regulate the business relationship between the VC Group and the FG Group (including Jiangmen Factory), on 25 February 2010, VC (Holdings), on its own behalf and as trustee for the benefit of other members of the VC Group, and Ford Glory, on its own behalf and as trustee for the benefit of other members of the FG Group, entered into the Master Agreements.

The Master Agreements

Parties

All of the Master Agreements were entered into between the following parties:

- (a) VC (Holdings), an investment holding company, on its own behalf and as trustee for the benefit of other members of the VC Group, as vendor; and
- (b) Ford Glory, on its own behalf and as trustee for the benefit of other members of the FG Group, as purchaser.

General terms

All of the Master Agreements are dated 25 February 2010 and for a term commencing from 1 April 2010 to 31 March 2013 (both days inclusive). For the Fabric Master Agreement and the Yarn Master Agreement, the purchase price, the quantity and specifications of products concerned, the time and place of delivery of the products concerned and other relevant matters will be negotiated by the parties with reference to the then prevailing market rates and in good faith which will be set out in the relevant purchase orders. In respect of the Steam and Electricity Master Agreement, instructions as to the electricity capacity and voltage required and the quantities, pressure, degree of saturation and other specifications of the steam required will be given to the supplier (i.e. a member of the VC Group (other than Jiangmen Factory) from time to time and a monthly fee will be charged.)

LETTER FROM THE BOARD

Pursuant to the Fabric Master Agreement and the Yarn Master Agreement, the purchase price of the products concerned shall be determined by the parties from time to time by reference to, among other factors, the then prevailing market prices of the raw materials and accessories required for the manufacture of the products concerned, as well as, where applicable, prevailing market prices of similar products. The purchase price and the other payment terms for the products will be set out in the relevant purchase orders to be placed under each of the Fabric Master Agreement and the Yarn Master Agreement. In respect of the Steam and Electricity Master Agreement, the supplier shall calculate the fees for electricity and steam on arm's length basis, based on, among other factors, the actual cost incurred, the cost incurred for generating electricity for the supply concerned, the quantity of electricity supplied and the maintenance cost involved.

(1) *Fabric Master Agreement*

Subject matter:

Pursuant to the Fabric Master Agreement, the VC Group has agreed to sell to the FG Group, and the FG Group has agreed to purchase from the VC Group, fabric products during the term of the Fabric Master Agreement.

Historical transaction amounts:

The historical transactions for the sale and purchase of fabric products were carried out by certain members of the VC Group (other than Jiangmen Factory) and Jiangmen Factory. The following table sets out the historical transaction amounts for the sale of fabric products by the VC Group (other than Jiangmen Factory) to Jiangmen Factory for the two years ended 31 March 2009 and the seven months ended 31 October 2009:

	Year ended 31 March		Seven months ended
	2008	2009	31 October
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Historical transaction amounts (in million)	79.60	98.50	35.24

LETTER FROM THE BOARD

Proposed annual caps:

The following table set out the proposed annual caps for the sale of fabric products by the VC Group to the FG Group for the three years ending 31 March 2013:

	Year ending 31 March		
	2011 <i>(HK\$)</i>	2012 <i>(HK\$)</i>	2013 <i>(HK\$)</i>
Proposed annual caps (in million)	156.00	173.40	192.24

(2) *Steam and Electricity Master Agreement*

Subject matter:

Pursuant to the Steam and Electricity Master Agreement, the VC Group has agreed to supply to the FG Group, and the FG Group has agreed to obtain from the VC Group, steam and electricity during the term of the Steam and Electricity Master Agreement.

Historical transaction amounts:

The historical transactions for the supply of steam and electricity were carried out by a member of the VC Group (other than Jiangmen Factory) and Jiangmen Factory. The following table sets out the historical transaction amounts for the supply of steam and electricity from the VC Group (other than Jiangmen Factory) to Jiangmen Factory for the two years ended 31 March 2009 and the seven months ended 31 October 2009:

	Year ended 31 March		Seven months ended
	2008 <i>(HK\$)</i>	2009 <i>(HK\$)</i>	31 October 2009 <i>(HK\$)</i>
Historical transaction amounts (in million)	1.90	2.20	2.45

LETTER FROM THE BOARD

Proposed annual caps:

The following table sets out the proposed annual caps for the supply of steam and electricity from the VC Group to the FG Group for the three years ending 31 March 2013:

	Year ending 31 March		
	2011 (HK\$)	2012 (HK\$)	2013 (HK\$)
Proposed annual caps (in million)	9.00	9.90	10.89

(3) *Yarn Master Agreement*

Subject matter:

Pursuant to the Yarn Master Agreement, the VC Group has agreed to sell to the FG Group, and the FG Group has agreed to purchase from the VC Group, yarn during the term of the Yarn Master Agreement.

Historical transaction amounts:

The historical transactions for the sale and purchase of yarn were carried out by a member of the VC Group (other than Jiangmen Factory) and Jiangmen Factory since 24 June 2009. The transaction amount for the sale of yarn by the VC Group (other than Jiangmen Factory) to Jiangmen Factory was HK\$900,000 for the period from 24 June 2009 (being the commencement date of sale and purchase of yarn between the VC Group (other than Jiangmen Factory) and Jiangmen Factory) to 31 October 2009.

Proposed annual caps:

The following table sets out the proposed annual caps for the sale of yarn by the VC Group to the FG Group for the three years ending 31 March 2013:

	Year ending 31 March		
	2011 (HK\$)	2012 (HK\$)	2013 (HK\$)
Proposed annual caps (in million)	9.17	10.09	11.10

LETTER FROM THE BOARD

Basis of the proposed annual caps of the Master Agreements

The proposed annual caps for the three years ending 31 March 2013 for the Continuing Connected Transactions are determined by reference to:

- (a) the historical transaction amounts for the Continuing Connected Transactions for the two years ended 31 March 2009 and the seven months ended 31 October 2009 (in respect of the Fabric Master Agreement and the Steam and Electricity Master Agreement) or for the period from 24 June 2009 to 31 October 2009 (in respect of the Yarn Master Agreement);
- (b) the expected growth in demand for the relevant products and services under the Master Agreements for the three years ending 31 March 2013; and
- (c) the prevailing market prices or rates of the relevant products and services under the Master Agreements.

Reasons for the Continuing Connected Transactions

Both the FG Group and the VC Group are members of the Group and there has been a long-standing business relationship between members of the VC Group and members of the FG Group. The Directors are confident that the FG Group is a reliable business partner and the business cooperation with the FG Group (being non-wholly owned subsidiaries of the Group) will provide a steady income stream to the VC Group.

The Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group.

The Directors (including the independent non-executive Directors) consider that:

- (a) the terms and conditions of each of the Master Agreements were negotiated between the parties on an arm's length basis and are normal commercial terms that are fair and reasonable;
- (b) the proposed annual caps in respect of each of the Master Agreements for the three years ending 31 March 2013 as referred to above are fair and reasonable; and
- (c) the Continuing Connected Transactions are and will be conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Listing Rules implications

Ford Glory is a connected person of the Company as illustrated above. Accordingly, all the transactions contemplated under the Master Agreements constitute continuing connected transactions for the Company. Given that the applicable percentage ratios for the Continuing Connected Transactions, when aggregated, will be more than 2.5% and the proposed annual cap amounts for the three years ending 31 March 2013 will exceed HK\$10 million, the Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. SGM

The Company will convene a SGM to be held at 10:00 a.m. on 7 April 2010 at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong to consider the Transaction and the Continuing Connected Transactions. A notice of the SGM is set out on pages 42 to 44 of this circular.

Mr. Choi, Ford Glory and their respective associates will abstain from voting on the resolutions approving the Transaction, the Continuing Connected Transactions and the proposed annual caps for the three years ending 31 March 2013 for the Continuing Connected Transactions which will be proposed at the SGM. As at the Latest Practicable Date, Mr. Choi held 7,980,000 shares in the Company, representing approximately 0.75% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors, none of the persons (other than Mr. Choi) who are required to abstain from voting at the SGM is holding any shares in the Company as at the Latest Practicable Date.

A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Secretaries Limited, branch share registrar and transfer office of the Company 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 SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders taken at the SGM to approve the Transaction and the Continuing Connected Transactions will be taken by poll, the results of which will be announced after the SGM.

LETTER FROM THE BOARD

5. RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Transaction and the Continuing Connected Transactions. Your attention is drawn to the advice of the Independent Board Committee set out in its letter set out on page 15 of this circular. Your attention is also drawn to the letter of advice from OSK Capital to the Independent Board Committee and the Independent Shareholders in respect of the Transaction and the Continuing Connected Transactions and the relevant proposed annual caps set out on page 16 to page 30 in this circular.

The Independent Board Committee, having taken into account the advice of OSK Capital, considers that the Agreement and the Master Agreements are on normal commercial terms, and that the Transaction and the Continuing Connected Transactions are in the best interest of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the Transaction and the Continuing Connected Transactions and the relevant proposed annual caps of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and recommend that the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Transaction and the Continuing Connected Transactions at the SGM.

6. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Victory City International Holdings Limited
Li Ming Hung
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 539)

18 March 2010

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to the Shareholders and dated 18 March 2010 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transaction contemplated under the Agreement between V-Apparel and Ford Glory constitutes connected transaction for the Company and is thus subject to the approval of the Independent Shareholders at the SGM.

Moreover, the transactions contemplated under the Master Agreements between VC (Holdings) (on its behalf and as trustee for the benefit of other members of the VC Group) and Ford Glory (on its behalf and as trustee for the benefit of other members of the FG Group) constitute continuing connected transactions for the Company and are thus subject to the approval of the Independent Shareholders at the SGM.

We have been appointed by the Board to consider the terms of the Agreement and the Master Agreements and to advise the Independent Shareholders in connection with the Transaction and the Continuing Connected Transactions as to whether, in our opinion, their terms and the relevant proposed annual caps for the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. OSK Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from OSK Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of OSK Capital as set out in its letter of advice, we consider that the Agreement and the Master Agreements are on normal commercial terms, and that the Transaction and the Continuing Connected Transactions are in the best interest of the Company and the Shareholders as a whole. We also consider that the Transaction and the Continuing Connected Transactions and the relevant proposed annual caps of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Transaction and the Continuing Connected Transactions and the relevant annual caps at the SGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Phaisalakani Vichai

Independent non-executive Directors

Kan Ka Hon

Kwok Sze Chi

* *For identification purpose only*

LETTER FROM OSK CAPITAL

The following is the text of the letter of advice from OSK Capital Hong Kong Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into the circular.



11/F., Hip Shing Hong Centre,
55 Des Voeux Road Central, Hong Kong

18 March 2010

The Independent Board Committee and the Independent Shareholders
Victory City International Holdings Limited

Dear Sirs,

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with (i) the connected transaction pursuant to the Agreement (the “Disposal”) and (ii) the continuing connected transactions pursuant to the Master Agreements and the respective proposed annual caps for the three years ending 31 March 2013, details of which are set out in the circular of the Company dated 18 March 2010 (the “Circular”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

All the above transactions are subject to approval by the Independent Shareholders at general meeting by way of poll. The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi has been established to give advice and recommendation to the Independent Shareholders in relation to the Disposal and the continuing connected transactions pursuant to the Master Agreements and the related proposed annual caps. Mr. Choi, Ford Glory and their respective associates will abstain from voting on the resolutions approving the Agreement, the Master Agreements and the proposed annual caps for the three years ending 31 March 2013 which will be proposed at the SGM.

OSK Capital Hong Kong Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of (i) the Agreement and (ii) the Master Agreements and the respective proposed annual caps for the three years ending 31 March 2013, and the transactions contemplated thereunder are fair and reasonable so far as the interests of the Company and the Independent Shareholders as a whole are concerned and whether the transactions under the above agreements are/will continue to be carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

LETTER FROM OSK CAPITAL

In formulating our opinion, we have relied upon the information, facts and representations contained in the announcement of the Company dated 25 February 2010, the Circular and those supplied or made by the management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, the VC Group and the FG Group.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Disposal pursuant to the Agreement and the continuing connected transactions pursuant to the Master Agreements, we have taken into consideration the following principal factors:

The Disposal pursuant to the Agreement

Background of and reasons for the Disposal

The Group is principally engaged in the production and sale of (i) knitted fabric and dyed yarn and (ii) garment products. On 25 February 2010, V-Apparel, a wholly-owned subsidiary of the Company, entered into the Agreement with Ford Glory, pursuant to which V-Apparel has agreed to sell, and Ford Glory has agreed to purchase (i) the Sale Shares which represented 100% of the total issued shares of Rocwide and (ii) the Sale Loan, at the Consideration of HK\$48 million.

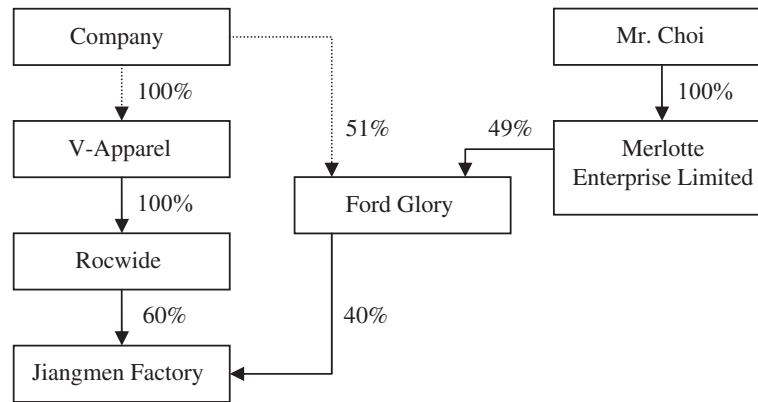
We understand that Ford Glory, an indirect non-wholly owned subsidiary of the Company owned as to 51% by the Company and 49% by Merlotte Enterprise Limited (a company wholly-owned by Mr. Choi, an executive Director) as at the Latest Practicable Date, is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under the Listing Rules.

We further understand that Rocwide is an investment holding company incorporated in the British Virgin Islands and owned 60% of the equity interest in Jiangmen Factory while Ford Glory owned 40% of the equity interest in Jiangmen Factory as at the Latest Practicable Date. Jiangmen Factory is a company established in the People's Republic of China (the "PRC") and is principally engaged in the manufacture of apparel (garment products). Upon completion of the Agreement, Rocwide and Jiangmen Factory will become wholly-owned subsidiaries of Ford Glory and will remain indirect non-wholly owned subsidiaries of the Company through the Group's interest in Ford Glory.

LETTER FROM OSK CAPITAL

Set out below is a simplified corporate structure of the Group showing the relationship between the relevant parties in relation to the Disposal as at the Latest Practicable Date and upon completion of the Disposal:

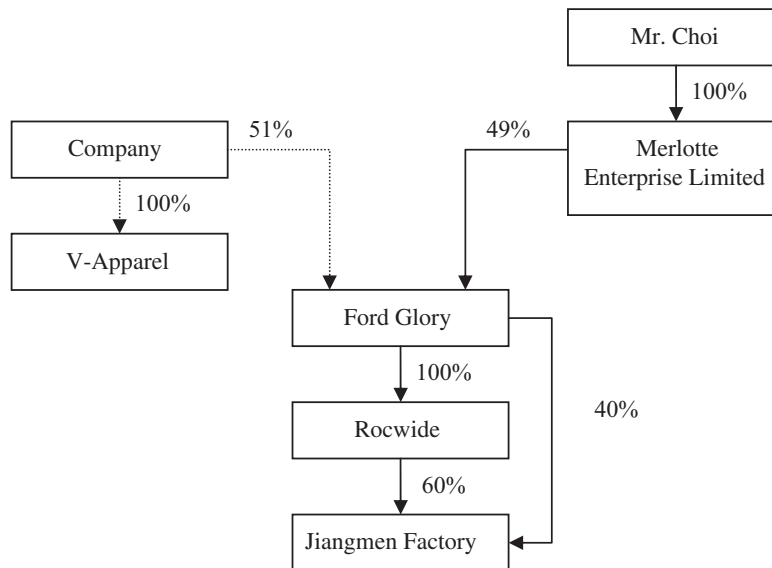
As at the Latest Practicable Date



Notes:

——— denotes direct ownership
 denotes indirect ownership

Upon completion of the Disposal



Notes:

——— denotes direct ownership
 denotes indirect ownership

LETTER FROM OSK CAPITAL

We understand that the Group currently has two major business segments: (i) production and sale of knitted fabric and dyed yarn and provision of related subcontracting services and (ii) production and sale of garment products and provision of quality inspection service. The following table summarise the Group's segment revenue and results for the two years ended 31 March 2009 and the six months ended 30 September 2008 and 30 September 2009:

Segment revenue	For the six months ended 30 September				For the year ended 31 March			
	(HK\$)				(HK\$)			
	2009	%	2008	%	2009	%	2008	%
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	1,508,337,000	77.7%	1,547,197,000	68.9%	2,806,225,000	68.6%	2,675,849,000	65.2%
Production and sale of garment products and provision of quality inspection service	433,981,000	22.3%	696,991,000	31.1%	1,282,499,000	31.4%	1,428,924,000	34.8%
Total revenue	1,942,318,000	100.0%	2,244,188,000	100.0%	4,088,724,000	100.0%	4,104,773,000	100.0%
Segment results	For the six months ended 30 September				For the year ended 31 March			
	(HK\$)				(HK\$)			
	2009	%	2008	%	2009	%	2008	%
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	167,808,000	88.2%	166,953,000	80.0%	293,767,000	84.4%	361,589,000	85.0%
Production and sale of garment products and provision of quality inspection service	22,443,000	11.8%	41,839,000	20.0%	54,385,000	15.6%	63,795,000	15.0%
Total segment results (before unallocated corporate income, unallocated corporate expenses, finance costs, taxation and/or share of loss of a jointly controlled entity)	190,251,000	100.0%	208,792,000	100.0%	348,152,000	100.0%	425,384,000	100.0%

The knitted fabric and dyed yarn business is the major segment of the Group. Rocwide and Jiangmen Factory are part of the Group's less significant business segment – the garment segment. As illustrated in the above table, for the year ended 31 March 2009, over two-third (approximately 68.6%) of the revenue of the Group was derived from the knitted fabric and dyed yarn segment with the segment results accounted for approximately 84.4% of the total consolidated segment results (before unallocated corporate income, unallocated corporate expenses, finance costs, taxation and/or share of loss of a jointly controlled entity); on the other hand, less than one-third (approximately 31.4%) of the revenue of the Group was derived from the garment segment (the business segment which Rocwide and Jiangmen Factory belong to) with the segment results accounted for approximately only 15.6% of the total consolidated segment results.

LETTER FROM OSK CAPITAL

For the six months ended 30 September 2009, the knitted fabric and dyed yarn segment continued to be the major income source of the Group. Approximately 77.7% of the revenue of the Group was derived from the knitted fabric and dyed yarn segment with the segment results accounted for approximately 88.2% of the total consolidated segment results; on the other hand, only 22.3% of the revenue of the Group was derived from the garment segment with the segment results accounted for only approximately 11.8% of the total consolidated segment results.

It is stated in the interim report of the Company for the six months ended 30 September 2009 that during the period, many medium and small enterprises within the textile industry were forced to close down due to tightening of bank credit facilities as well as stringent environmental regulations introduced by the PRC authorities. Such expedited consolidation of the textile industry enabled the Group to increase its market share in both export and domestic PRC market in respect of the knitted fabric and dyed yarn segment; whilst the garment industry remained difficult whereas purchase orders were still volatile and was adversely affected by the sluggish market of the United States.

As set out in the interim report of the Group for the six months ended 30 September 2009, the Group would continue to improve its profitability by upgrading and streamlining its production facilities.

As set out in the annual report of the Company for the year ended 31 March 2009, for the textiles business, following the consolidation of the industry and the Company's stringent cost controls and streamlining measures, the Company had seen improvements in order books and operation performance in the initial months of the financial year ending 31 March 2010. The Company expected its market share in the textiles segment still had ample room for growth. For the garment business, market competitions remained severe. The Company had streamlined its work force and would further reduce operating overheads by moving its merchandising support office to the PRC in late 2009. Together with continuing growth of garment apparel orders from domestic PRC customers, the Company remained cautiously optimistic towards the garment business segment, especially when export market demands gradually recover in the coming years.

We understand from the Company that the purpose of the Disposal is to further reorganise the group's structure to clearly distinct the knitted fabric and dyed yarn segment and the garment segment.

Rocwide is an investment holding company holding a 60% equity interest in Jiangmen Factory. Jiangmen Factory is principally engaged in manufacture of apparel and forms part of the garment business segment of the Group. Upon completion of the Disposal, the VC Group will no longer hold any interest in Jiangmen Factory and shall focus on the knitted fabric and dyed yarn segment while the FG Group (including Rocwide and Jiangmen Factory) will focus on the garment segment. Grouping all the companies into two sub-groups will benefit the Group's future development of each segment, including fund raising and other merger and acquisition activities.

Given the difficult business environment and development strategies, we agree with the executive Directors that the Disposal would help restructure the Group into two sub-groups with a view to facilitating the separate developments of the two business segments. We also agree that the Disposal is in the interests of the Company and incidental to the Group's ordinary course of business.

LETTER FROM OSK CAPITAL

Major terms of the Agreement

As set out in the Letter from the Board, the Consideration of HK\$48 million was determined after arm's length negotiations between V-Apparel and Ford Glory with reference to (i) the consolidated net assets value of Rocwide of HK\$12,774,000 as at 30 September 2009 and (ii) the amount of the Sale Loan of HK\$23,714,000 as at the date of the Agreement.

As set out above in this letter, we understand from the Company that the purpose of the Disposal is to further reorganise the group's structure. Both the vendor and the purchaser are subsidiaries of the Company. After completion of the Disposal, Rocwide and Jiangmen Factory will continue to be subsidiaries of the Company. The Disposal does not constitute any notifiable transaction for the Company under the Listing Rules but only technically constitutes a connected transaction for the Company as a Director, Mr. Choi is the minority substantial shareholder of the purchaser, the intermediate holding company of the garment business segment of the Group. Based on the understanding that the Disposal is an intra-group reorganisation transaction, we agree with the Company that it is appropriate to determine the Consideration based on the book value of the Sale Shares and the Sale Loan.

The Consideration of HK\$48 million represents a premium of approximately HK\$11.5 million or 31.6% premium over the sum of book value of the Sale Shares (being the consolidated net assets value of Rocwide as at 30 September 2009 of HK\$12,774,000) and the amount of Sale Loan of HK\$23,714,000 as at the date of the Agreement.

As set out in the Letter from the Board, Rocwide had a deficiency of net assets as at 31 March 2008 and 31 March 2009 of approximately HK\$377,000 and HK\$383,000 respectively. Rocwide's audited net profits before and after tax and extraordinary items for the year ended 31 March 2008 were both approximately HK\$320,000 and the net loss for the year ended 31 March 2009 was approximately HK\$5,000.

As set out in the Letter from the Board, the total net assets of Jiangmen Factory as at 31 March 2008 and 31 March 2009 were approximately HK\$44,845,000 and HK\$50,972,000 respectively. Jiangmen Factory's audited net profits before and after tax and extraordinary items for the year ended 31 March 2008 were both approximately HK\$8,606,000 and those for the year ended 31 March 2009 were approximately HK\$6,225,000 and HK\$5,120,000.

We understand that Jiangmen Factory manufactures and sells apparels to independent customers as well as other members in the FG Group. We further understand from the Company that for the year ended 31 March 2009, approximately 56% of the sales of the Jiangmen Factory were derived from the FG Group and the remaining 44% of the sales were derived from third party customers.

For the purpose of further reference, we set out below some analysis on the Consideration as compared to the valuation of Comparable Companies.

LETTER FROM OSK CAPITAL

To assess the Consideration, we try to compare it with the relevant price to earnings ratios (the “P/E ratios”) and price to book ratios (the “P/B ratios”) with other listed textile and garment companies in Hong Kong. To the best of our effort, we have identified 10 companies (including the Company) listed on the Stock Exchange and are principally engaged in the manufacturing and sale of textile, garment and related products for which the Company is engaged in (the “Comparable Companies”).

Stock Code	Company	Principal business	Date of the latest published audited financial statements (up to the Latest Practicable Date)	Profit attributable to the shareholders (HK\$'000)	Market capitalisation as at the Latest Practicable Date (HK\$'000) (Note 1)	Price/earnings ratio as at the Latest Practicable Date (Note 2)	Price/book ratio as at the Latest Practicable Date (Note 1)
3398	China Ting Group Holdings Ltd.	Garment manufacturing for export and retailing branded fashion apparel in China.	31 December 2008	\$291,184	\$2,785,217	9.57	1.25
2368	Eagle Nice (International) Holdings Ltd.	Manufacture and trading of sportswear and garments.	31 March 2009	\$163,826	\$1,588,982	9.70	1.82
3322	Win Hanverky Holdings Ltd.	Manufacturing of integrated sportswear and active and outer wear and distribution for international sports brands.	31 December 2008	\$33,325	\$1,813,812	54.43	1.02
458	Tristate Holdings Ltd.	Garment manufacturing, garment trading and branded product distribution.	31 December 2008	\$102,517	\$419,227	4.09	0.4
608	High Fashion International Ltd.	Manufacture, trading and retailing of garments.	31 December 2008	\$90,635	\$633,309	6.99	0.43
311	Luen Thai Holdings Ltd.	Manufacturing and trading of garment, textile products and accessories and the provision of freight forwarding and logistics services.	31 December 2008	\$91,675	\$883,325	9.64	0.51
2313	Shenzhou International Group Holdings Ltd.	Manufacturing and sale of knitwear products.	31 December 2008	\$792,398	\$13,446,001	16.97	4.13
294	Yangtzejiang Garment Ltd.	Manufacture and sale of garments and textiles, the provision of processing services and the rental of properties.	31 March 2009	\$71,877	\$319,760	4.45	0.36
518	Tungtex (Holdings) Co. Ltd.	Manufacture & sale of garments.	31 March 2009	\$42,232	\$559,253	13.24	1.06
539	Victory City International Holdings Ltd.	Production and sale of knitted fabric and dyed yarn and garment products.	31 March 2009	\$216,865	\$2,043,070	9.42	0.72
					Minimum	4.09	0.36
					Maximum	54.43	4.13
					Average	13.85	1.17
			Rocwide Group (note 3 and note 4)			7.92	1.32

Note 1: Source: Bloomberg

Note 2: Calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date, divided by their respective profit attributable to shareholders according to the respective latest published audited financial statements.

LETTER FROM OSK CAPITAL

Note 3: The price to earnings ratio in relation to the Disposal is a fraction of which the numerator (the price) is HK\$24,286,000, being the consideration for the Sale Shares and the denominator (the earnings) is the consolidated net profit of the Rocwide Group of approximately HK\$3,066,000 for the year ended 31 March 2009.

Note 4: The price to book ratio in relation to the Disposal is a fraction of which the numerator (the price) is the Consideration of HK\$48 million and the denominator (the book value) is the sum of (i) the consolidated net assets value of Rocwide as at 30 September 2009 of HK\$12,774,000 and (ii) the amount of Sale Loan of HK\$23,714,000.

We set out in the above table the P/E ratios and the P/B ratios of Rocwide and Jiangmen Factory (being the 60% owned subsidiary of Rocwide) (together, the “Rocwide Group”) and the Comparable Companies. Based on the respective market capitalisation of the Comparable Companies as at the Latest Practicable Date, the P/E ratios of the Comparable Companies ranged from approximately 4.09 times to approximately 54.43 times, with an average of 13.85 times, the P/E ratio (7.92 times) of the Rocwide Group falls within the range of P/E ratios but is below the average P/E ratio of the Comparable Companies; whilst the P/B ratios of the Comparable Companies ranged from approximately 0.36 times to approximately 4.13 times, with an average of 1.17 times, the P/B ratio (1.32 times) of the Rocwide Group is above the average P/B ratio of the Comparable Companies.

Whilst P/E and P/B ratios are commonly used valuation benchmarks, we consider that the P/B ratio may be a better reference to evaluate the Consideration, as the Disposal is an intra-group restructuring and no gain or loss is expected to be recognised in the consolidated financial statements of the Group. The Consideration of HK\$48 million shall be paid by Ford Glory to V-Apparel upon completion of the Agreement by cash or in such other manner as may be agreed by the parties to the Agreement.

Based on the above, we consider that the Consideration and the other terms of the Agreement fair and reasonable.

Possible financial effects of the Disposal

(i) Earnings

As mentioned above, no gain or loss is expected to be recognised in the consolidated financial statements of the Group as the Disposal is an intra-group transaction. The Disposal is not expected to have major negative impact on the profitability of the Group given the Disposal is rather an intra-group restructuring exercise. Upon completion of the Agreement, Rocwide and Jiangmen Factory will become wholly-owned subsidiaries of Ford Glory and will remain indirect non-wholly owned subsidiaries of the Company through the Company’s 51% interest in Ford Glory. The effective shareholding interest of the Group in Jiangmen Factory will decrease from 80.4% to 51%. The percentage share of the Group’s profit attributable from Jiangmen Factory after minority interests will decrease. After taking into account of the fact that approximately 56% of the sales for the year ended 31 March 2009 of Jiangmen Factory were intra-group sales derived from the FG Group, the profit level of Jiangmen Factory as compared to the consolidated total profit of the Group, the intended enhanced prospect of the Group after the Disposal and the Consideration, we agree with the Company that the decrease in the effective interest acceptable.

LETTER FROM OSK CAPITAL

(ii) Net assets value

Upon completion of the Agreement, Rocwide and Jiangmen Factory will become wholly-owned subsidiaries of Ford Glory, and will remain indirect non-wholly owned subsidiaries of the Company through its 51% equity interest in Ford Glory. The assets and liabilities of Rocwide and Jiangmen Factory will still be consolidated into the consolidated financial statements of the Company. We concur with the view of management of the Company that it is not expected that there would be any material impact on the consolidated assets and liabilities of the Company immediately upon completion of the Disposal.

(iii) Working capital

The Consideration of HK\$48 million shall be paid by Ford Glory to V-Apparel upon completion of the Agreement by cash or in such other manner as may be agreed by the parties to the Agreement.

Save for the professional fees and all related expenses incurred in relation to the Disposal of approximately HK\$1.3 million, the Disposal will not affect the cash position of the Group.

(iv) Gearing ratio

As confirmed by the Company, it is not expected that there would be any material impact on the consolidated assets, liabilities and shareholders' equity of the Group as a result of the Disposal, we concur with the view of management of the Company that it is not expected that there would be any material impact on the Company's gearing ratio (expressed as the percentage of the Group's net debt over equity attributable to Shareholders) immediately upon completion of the Disposal.

Based on (i) the understanding that the Disposal is an intra-group reorganisation and that the Disposal would help restructure the Group into two sub-groups which in turn may help the separate developments of the two business segments, (ii) the Consideration was determined based on arm's length negotiation between the parties with reference to the carrying values of the Sale Shares and the Sale Loan, and (iii) the financial effects of the Disposal on the Group, we consider the Consideration and the other terms of the Agreement fair and reasonable so far as the interests of the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

THE MASTER AGREEMENTS

Background of and reasons for the continuing connected transactions pursuant to the Master Agreements

On 25 February 2010, VC (Holdings), on its own behalf and as trustee for the benefit of other members of the VC Group, and Ford Glory, on its own behalf and as trustee for the benefit of other members of the FG Group, entered into the Master Agreements.

LETTER FROM OSK CAPITAL

There have been sale and purchase of fabric products, yarn and steam and electricity between the VC Group (other than Jiangmen Factory) to Jiangmen Factory in the Group's ordinary and usual course of business. As Ford Glory is a connected person of the Company pursuant to Chapter 14A of the Listing Rules, upon completion of the Disposal, Jiangmen Factory shall become a wholly-owned subsidiary of Ford Glory and thus shall also become a connected person to the Company under the Listing Rules. Accordingly, the above transactions between the VC Group and Jiangmen Factory shall constitute continuing connected transactions for the Company under the Listing Rules.

The following table summarises the parties and the subject matter of the continuing connected transactions under the Master Agreements:

Master Agreements	Parties	Subject matter
1. Fabric Master Agreement	Vendor: VC Group Purchaser: FG Group	Sale and purchase of fabric products
2. Steam and Electricity Master Agreement	Supplier: VC Group Purchaser: FG Group	Supply and purchase of steam and electricity
3. Yarn Master Agreement	Vendor: VC Group Purchaser: FG Group	Sale and purchase of yarn

All the continuing connected transactions under the Master Agreements are in the ordinary course of business of the Group. Jiangmen Factory is principally engaged in the manufacture and sale of apparel. In the course of its production, it purchases fabric, yarn, electricity and steam from the VC Group. It is part of the VC Group's principal business to manufacture and sell fabric and yarn. Jiangmen Factory is one of the customers of the VC Group. As part of its production facilities, the VC Group has installed electricity and steam generation units. The VC Group also provides electricity and steam to Jiangmen Factory as well as other members of the Group.

All the above transactions are proposed to continue after completion of the Disposal. We understand from and agree with the Company that the transactions are in the interests of the Company and its Shareholders as a whole.

Terms of the Master Agreements

As set out in the Letter from the Board, all of the Master Agreements are dated 25 February 2010 and for a term commencing from 1 April 2010 to 31 March 2013. For the Fabric Master Agreement and the Yarn Master Agreement, the purchase price, the quantity and specifications of products concerned, the time and place of delivery of the products concerned and other relevant matters will be negotiated by the parties with reference to the then prevailing market rates and in good faith which will be set out in the relevant purchase orders. In respect of the Steam and Electricity Master Agreement, instructions as to the electricity capacity and voltage required and the quantities, pressure, degree of saturation and other specifications of the steam required will be given to the supplier (i.e. a member of the VC Group (other than Jiangmen Factory) from time to time and a monthly fee will be charged.)

LETTER FROM OSK CAPITAL

Pursuant to the Fabric Master Agreement and the Yarn Master Agreement, the purchase price of the products concerned shall be determined by the parties from time to time by reference to, among other factors, the then prevailing market prices of the raw materials and accessories required for the manufacture of the products concerned, as well as, where applicable, prevailing market prices of similar products. We further understand from the Company that where there is no available comparable market price, the purchase price of the products shall be determined by the parties from time to time by reference to the costs of the products plus profit margins. The Company informed us that the parties will take into account the gross profit margin of the Group when determining the profit margin of the sale and purchase of fabric products and yarn. The purchase price and the other payment terms for the products will be set out in the relevant purchase orders to be placed under each of the Fabric Master Agreement and the Yarn Master Agreement.

We have reviewed information provided to us by the management of the Company, including invoices and pricing information of some selected actual sale and purchase of fabric and yarn between the VC Group (other than Jiangmen Factory) and Jiangmen Factory which would have been covered by the Master Agreements and those of some comparable transactions between (i) Jiangmen Factory and independent suppliers and (ii) the VC Group and independent customers; and the representations of the Company in respect of the particular circumstances of the pricing considerations of the selected transactions, and no abnormality on pricing is noted. We note that the terms of the selected transactions are comparable to the terms of similar comparable transactions with independent customers and suppliers, where applicable.

In respect of the Steam and Electricity Master Agreement, the supplier shall calculate the fees for electricity and steam on arm's length basis, based on, among other factors, the actual cost incurred, the cost incurred for generating electricity and steam for the supply concerned, the quantity of electricity and steam supplied and the maintenance cost involved. The VC Group and Jiangmen Factory are and will continue to be members of the Group before and after completion of the Disposal. As stated above in this letter, we understand from the Company that the VC Group has installed electricity and steam generation facilities for the Group's production purposes and has been supplying electricity and steam to Jiangmen Factory for its production of apparel. As suggested under the Steam and Electricity Master Agreement, the VC Group will charge Jiangmen Factory principally based on the actual cost of electricity and steam supplied to Jiangmen Factory. We understand from the Company that such actual cost has been and will continue to be measured pro rata to the total costs of electricity and steam generated, which covers major items including fuel (oil and coal), wages, electricity, water, consumables, depreciation expenses and other costs. As the transactions are solely for the Group's internal production and are not for the purpose of revenue generation, we agree with Company that it fair and reasonable to charge Jiangmen Factory under the Steam and Electricity Master Agreement at actual cost.

Based on the principal terms under the Master Agreements and the above finding, we concur with the view of the Directors that the terms of the Master Agreements and the continuing connected transactions which may be carried out pursuant to the terms of Master Agreements will be on normal commercial terms.

LETTER FROM OSK CAPITAL

Annual caps under the Master Agreements

Set out below are the historical amounts for the transactions between certain members of the VC Group (other than Jiangmen Factory) and Jiangmen Factory and the respective proposed annual caps under the Master Agreements:

Master Agreements	Historical transaction amount (HK\$'million)			Proposed annual caps For the year ending 31 March (HK\$'million)		
	For the year ended 31 March	For the year ended 31 March	Seven months ended 31 October	2011	2012	2013
	2008	2009	2009			
Proposed annual caps for the Fabric Master Agreement/historical transaction amounts for the sale of fabric products by the VC Group (other than Jiangmen Factory) to Jiangmen Factory	79.60	98.50	35.24	156.00	173.40	192.24
Proposed annual caps for the Steam and Electricity Master Agreement/historical transaction amounts for the supply of steam and electricity by the VC Group (other than Jiangmen Factory) to Jiangmen Factory	1.90	2.20	2.45	9.00	9.90	10.89
Proposed annual caps for the Yarn Master Agreement/historical transaction amounts for the sale of yarn by the VC Group (other than Jiangmen Factory) to Jiangmen Factory	N/A	N/A	0.90 <i>(note)</i>	9.17	10.09	11.10

Note: being the transaction amount from 24 June 2009 (being the commencement date of the sale and purchase of yarn between the VC Group (other than Jiangmen Factory) and Jiangmen Factory) to 31 October 2009.

LETTER FROM OSK CAPITAL

As set out in the Letter from the Board, the proposed annual caps for the three years ending 31 March 2013 for the continuing connected transactions under the Master Agreements were determined by reference to:

- (i) the historical transaction amounts for the continuing connected transactions for the two years ended 31 March 2009 and the seven months ended 31 October 2009 (in respect of the Fabric Master Agreement and the Steam and Electricity Master Agreement) and for the period from 24 June 2009 to 31 October 2009 (in respect of the Yarn Master Agreement);
- (ii) the expected growth in demand for the relevant products and services under the Master Agreements for the three years ending 31 March 2013; and
- (iii) the prevailing market prices or rates of the relevant products and services under the Master Agreements.

We have discussed with the management of the Company and reviewed the basis of and computation of the proposed annual caps under the Master Agreements. We note that when determining the proposed annual caps, the Company has considered the estimated possible amount of the continuing connected transactions based on:

- (i) the estimated possible needs of Jiangmen Factory in respect of the relevant raw materials and other supplies from the VC Group with reference to the historical raw materials input requirements for Jiangmen Factory's production based on its maximum production capacity and historical costing structure assuming a majority need of Jiangmen Factory for fabric products and yarn will be supplied by the VC Group;
- (ii) current costs of generating electricity and steam with the assumption that no material set up, installation and maintenance costs are expected to be incurred in relation to the supply of steam and electricity for the three years ending 31 March 2013;
- (iii) the expected annual growth of 10% in the demand for fabric products and yarn by Jiangmen Factory estimated with reference to (a) Jiangmen Factory's business plan to enhance its product mix and customer base and thus an increase in the potential production level based on an enhanced level of production capacity and (b) a possible increase in product prices after inflation; and
- (iv) the historical costs incurred by the VC Group in supplying steam and electricity to the Jiangmen Factory.

LETTER FROM OSK CAPITAL

In addition to our discussions with the management of the Company, we have also reviewed the information provided by the Company in respect of (i) some invoices and pricing information of some actual transactions for the transactions carried out between certain members of the VC Group (other than Jiangmen Factory) and Jiangmen Factory which would have been covered by the Master Agreements and those of some comparable transactions; (ii) the historical cost schedules in relation to the supply of electricity and steam by the VC Group to the Jiangmen Factory which indicates the costs of which include costs of fuel (oil and coal), wages, electricity, water, consumables, depreciation expenses and other costs, (iii) the calculations for estimating the maximum production capacity of Jiangmen Factory and (iv) historical fluctuations of inflation rates in the PRC.

We note that there are significant increases in some of the annual caps as compared to their respective historical amount. We understand from the Company that (i) in respect of the Fabric Master Agreement and the Yarn Master Agreement, the proposed annual caps for the three years ending 31 March 2013 were estimated based on, among others, the potential production volume based on the maximum production capacity of Jiangmen Factory and (ii) in respect of the Steam and Electricity Master Agreement, the proposed annual caps for the three years ending 31 March 2013 were estimated based on the increase in electricity consumption due to the introduction of more computerized knitting machines in Jiangmen Factory and the potential increase in potential production level and the production capacity of Jiangmen Factory. However, for the year ended 31 March 2009, sales of Jiangmen Factory grew by approximately 6.7% as compared to the year ended 31 March 2008, which is lower than the annual growth rate of 10% used to estimate the proposed annual caps. Given our understanding from the Company that the continuing connected transactions pursuant to the Master Agreements will be conducted in the ordinary and usual course of business of the Group and shall be on arm's length basis and normal commercial terms and that the transactions contemplated under the Master Agreements are intra-group transactions which would not affect the consolidated sales and purchases of the Group, we agree with the Company that (i) it will be in the Company's interests to propose higher annual caps based on maximum potential sales and production of Jiangmen Factory and a higher target growth rate in the next three financial years and (ii) the projections of the proposed annual caps based on the principal factors and bases as summarized above are fair and reasonable.

Having taken into account of the basis and computations of the proposed annual caps for the continuing connected transactions to be contemplated under the Master Agreements for the three years ending 31 March 2011, 2012 and 2013, the continuing connected transactions will be conducted in the ordinary and usual business of the Group, and that the Master Agreements require the continuing connected transactions to be priced on normal commercial terms, we consider the basis of determining the proposed annual caps fair and reasonable, and the Master Agreements and the transactions to be contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM OSK CAPITAL

CONCLUSION

Having considered the principal reasons and factors, we are of the view that the terms of the Agreement, the Master Agreements and the proposed respective annual caps for the transactions which shall be carried out thereunder are fair and reasonable so far as the Shareholders are concerned and that the Agreement, the Master Agreements, and the transactions which shall be carried out under such agreements will be, entered into on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Agreement, the Master Agreements and the respective annual caps for the three years ending 31 March 2013 and the transactions which may be carried out thereunder.

Yours faithfully,
For and on behalf of
OSK Capital Hong Kong Limited
Allen Tze
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Li Ming Hung	The Company	Founder of a trust	168,456,000 ordinary shares of HK\$0.01 each of the Company (the "Shares") (L) (Note 2)	–	15.83%
	The Company	Beneficial owner	13,868,000 Shares (L)	–	1.30%
	The Company	Beneficial owner	–	1,599,737 Shares (L) (Note 4)	0.15%
	Victory City Company Limited (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
	Victory City Overseas Limited (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
Mr. Chen Tien Tui	The Company	Founder of a trust	168,456,000 Shares (L) (Note 3)	–	15.83%
	The Company	Beneficial owner	15,555,000 Shares (L)	–	1.46%
	The Company	Beneficial owner	–	1,599,737 Shares (L) (Note 4)	0.15%
	Victory City Company Limited (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
Mr. Choi	The Company	Beneficial owner	7,980,000 Shares (L)	–	0.75%
	The Company	Beneficial owner	–	9,598,419 Shares (L) (Note 5)	0.90%
	Victory City Overseas Limited (Note 15)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	–	21.2%
	Ford Glory (Note 15)	Interest of controlled corporation	49 ordinary shares of US\$1.00 each (L) (Note 6)	–	49%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
	CSG Apparel Inc. (Note 15)	Interest of controlled corporation	one common stock of CAD1.00 (L) (Note 7)	–	100%
	Ford Glory International Limited (Note 15)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 12)	–	100%
	Glory Time Limited (Note 16)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 13)	–	70%
	Mayer Apparel Limited (Note 16)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 10)	–	51%
	PT Victory Apparel Semarang (Note 15)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) (Note 9)	–	100%
	Surefaith Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 12)	–	100%
	Top Star Limited (Note 15)	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) (Note 12)	–	100%
	Top Value Inc. (Note 15)	Interest of controlled corporation	200 common shares of no par value (L) (Note 11)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 15)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 14)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
	Victory Apparel Jordan Manufacturing Ltd. (Note 15)	Interest of controlled corporation	50,000 ordinary shares of JD\$1.00 each (L) (Note 8)	–	100%
	Wealth Choice Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 12)	–	100%
	福之源貿易(上海) 有限公司 (Ford Glory Trading (Shanghai) Limited) (Notes 15 and 17)	Interest of controlled corporation	Registered capital of Renminbi 1,000,000(L) (Note 7)	–	100%
	Gojifashion Inc. (Note 16)	Interest of controlled corporation	100 common shares of no par value (L) (Note 11)	–	50%
	福源創業信息 諮詢服務(深圳) 有限公司 (Ford Glory Enterprise Starting Information Consultation Services (Shenzhen) Limited) (Notes 15 and 18)	Interest of controlled corporation	Registered capital of HK\$3,000,000 (Note 7)	–	100%
	Brilliant Fashion Inc. (Note 15)	Interest of controlled corporation	100 common shares of no par value (L) (Note 11)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
	Jiangmen Factory (Note 15)	Interest of controlled corporation	Registered capital of HK\$12,000,000 (Note 19)	–	40%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	9,598,419 Shares (L) (Note 5)	0.90%
Phaisalakani Vichai	The Company	Beneficial owner	300,000 Shares (L)	–	0.03%

Notes:

- The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporations.
- These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung’s family.
- These Shares were held by Madian Star Limited. Madian Star Limited is wholly-owned by Yonice Limited, the entire issued capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui’s family.
- On 9 October 2003, each of Mr. Li Ming Hung and Mr. Chen Tien Tui were granted 500,000 options under the option scheme of the Company to subscribe for 500,000 Shares, exercisable at a price of HK\$3.04 per Share during a period from 9 October 2004 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.85 and 533,246 respectively upon the rights issue of the Company (the “Rights Issue”) becoming unconditional on 13 January 2009 for each of Mr. Li Ming Hung and Mr. Chen Tien Tui.

On 7 June 2004, Mr. Li Ming Hung and Mr. Chen Tien Tui were granted options under the share option scheme of the Company to subscribe for 1,000,000 Shares and 1,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.95 and 1,066,491 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Mr. Li Ming Hung and Mr. Chen Tien Tui.

- On 23 May 2003, Mr. Choi and Mr. Lee Yuen Chiu, Andy were granted 1,500,000 and 1,500,000 options respectively under the share option scheme of the Company to subscribe for 1,500,000 Shares and 1,500,000 Shares respectively, exercisable at a price of HK\$2.35 per Share during a period from 27 May 2003 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.20 and 1,599,736 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Mr. Choi and Mr. Lee Yuen Chiu, Andy.

On 9 October 2003, Mr. Choi and Mr. Lee Yuen Chiu, Andy were granted options under the share option scheme of the Company to subscribe for 3,500,000 Shares, and 3,500,000 Share respectively, exercisable at a price of HK\$3.04 per Share during a period from 9 October 2004 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.85 and 3,732,719 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Mr. Choi and Mr. Lee Yuen Chiu, Andy

On 7 June 2004, Mr. Choi and Mr. Lee Yuen Chiu, Andy were granted options under the share option scheme of the Company to subscribe for 4,000,000 Shares and 4,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.95 and 4,265,964 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Mr. Choi and Mr. Lee Yuen Chiu, Andy.

6. These shares, representing 49% of the issued share capital of Ford Glory, were held by Merlotte Enterprise Limited which is wholly owned by Mr. Choi.
7. This common stock or, as the case may be, registered capital was beneficially owned by Ford Glory International Limited which is a wholly-owned subsidiary of Ford Glory.
8. These shares were beneficially owned by Wealth Choice Limited which is a wholly-owned subsidiary of Ford Glory Holding Limited.
9. These shares were beneficially owned by Surefaith Limited which is a wholly-owned subsidiary of Ford Glory.
10. Mayer Apparel Limited is 51% owned by Ford Glory.
11. These common shares were beneficially owned by Ford Glory.
12. These shares were beneficially owned by Ford Glory.
13. Glory Time Limited is 70% owned by Ford Glory.
14. This quota capital was beneficially owned by Ford Glory.
15. These companies are subsidiaries of the Company.
16. These companies are associated corporations (within the meaning of Part XV of the SFO) of the Company.
17. Ford Glory Trading (Shanghai) Limited is the unofficial English translation of 福之源貿易(上海)有限公司.
18. Ford Glory Enterprise Starting Information Consultation Services (Shenzhen) Limited is the unofficial English translation of 福源創業信息諮詢服務(深圳)有限公司.
19. The registered capital has beneficially owned by Ford Glory.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Person	Number of Shares <i>(Note 1)</i>	Capacity	Approximate percentage of interest
Pearl Garden Pacific Limited	168,456,000 (L)	Beneficial owner <i>(Note 2)</i>	15.83%
Cornice Worldwide Limited	168,456,000 (L)	Interest of controlled corporation <i>(Note 2)</i>	15.83%
Madian Star Limited	168,456,000 (L)	Beneficial owner <i>(Note 3)</i>	15.83%
Yonice Limited	168,456,000 (L)	Interest of controlled corporation <i>(Note 3)</i>	15.83%
Trustcorp Limited	336,912,000 (L)	Trustee <i>(Notes 2, 3 and 4)</i>	31.66%
Newcorp Ltd.	336,912,000 (L)	Interest of controlled corporation <i>(Notes 2, 3 and 4)</i>	31.66%

Name of Person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Ms. Ho Yuen Mui, Shirley	183,923,737 (L)	Interest of spouse (Note 5)	17.28%
Ms. Or Kwai Ying	185,610,737 (L)	Interest of spouse (Note 6)	17.44%
Templeton Asset Management Ltd.	164,121,571 (L)	Investment manager	15.42%

Notes:

1. The letter "L" represents the person's interests in the Shares and/or the underlying Shares.
2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family. Mr. Chen Tien Tui is a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited.
3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly-owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family. Mr. Li Ming Hung is a director of Madian Star Limited and Yonice Limited.
4. Trustcorp Limited is wholly-owned by Newcorp Ltd..
5. Ms. Ho Yuen Mui, Shirley is the wife of Mr. Li Ming Hung.
6. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Share.

4. SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBERS OF THE GROUP

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (not being a Director or chief executive of the Company) were, either directly or indirectly, interested in shares representing 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company:

Name of subsidiary	Name of Shareholder	No. of Securities held/amount of registered capital owned	Approximate percentage shareholdings
Ford Glory	Merlotte Enterprise Limited	49 ordinary shares	49%
Glory Time Limited	Doncan Limited	30 ordinary shares	30%
江門市冠達紡織材料有限公司 (Jiangmen GuanDa Textile Material Co., Ltd. (being its unofficial English name))	江門市展邦投資有限公司 (Jiangmen ZhanBang Investment Limited (being its unofficial English name))	Registered capital of Renminbi 10,000,000	40%
Mayer Apparel Limited	Lau Kwok Wa Stanley	49 ordinary shares	49%

5. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2009, being the date to which the latest published audited financial statements of the Group were made up.

7. COMPETING INTEREST

As at the Latest Practicable Date, save as disclosed herein, none of the Directors or their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

8. INTEREST IN CONTRACTS AND ASSETS

Save as disclosed herein, in particular the Agreement and the Master Agreements, the master supply agreement dated 27 October 2008 and entered into between 南京新一棉紡織印染有限公司 (Nanjing Synergy Textiles Limited) and 江門市新會區冠華針織廠有限公司 (Xinhui Victory City Co., Ltd., being its unofficial English name) as disclosed in the announcement of the Company dated 27 October 2008 and the circular of the Company dated 14 November 2008, the master agreement dated 16 March 2010 and entered into between 加美(清遠)製衣有限公司 (Kimberley (Qing Yuan) Garment Limited) (“**Kimberley**”), and Ford Glory (on its own behalf and as trustee for the benefit of other members of Ford Glory and its subsidiaries (collectively, the “**FG Group**”)) in relation to the purchase of apparel products from Kimberley by the FG Group and the master agreement dated 16 March 2010 and entered into between Mayer Apparel Limited (“**Mayer**”) and Ford Glory (on its own behalf and as trustee for the benefit of other members of FG Group (excluding Mayer)) in relation to the purchase of apparel products from Mayer by FG Group (excluding Mayer) as disclosed in the announcement of the Company dated 16 March 2010, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 31 March 2009, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. QUALIFICATION AND CONSENT OF EXPERT

OSK Capital is a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities.

OSK Capital has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, OSK Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

OSK Capital did not have any interest, direct or indirect, in any assets which since 31 March 2009, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong, during normal business hours from the date of this circular up to and including 7 April 2010:

- (a) the Agreement;
- (b) the Fabric Master Agreement;
- (c) the Steam and Electricity Master Agreement; and
- (d) the Yarn Master Agreement.

11. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text.

NOTICE OF SGM



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 OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Victory City International Holdings Limited (the “**Company**”) will be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on 7 April 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following resolutions which will be proposed as ordinary resolutions:

- (1) “**THAT** the sale and purchase agreement (the “**Agreement**”) dated 25 February 2010 (a copy of which will be produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and entered into between V-Apparel International Limited and Ford Glory Holdings Limited and the transactions contemplated thereby; and the same are hereby approved and that any director of the Company be and is hereby authorised to take any step and execute any other documents and to do all such acts or things as be consider necessary, desirable or expedient in connection with the Agreement or any of the transactions contemplated thereby and the agree to any amendment to any of the terms thereof which in the opinion of any director of the Company is not of a material nature and is in the interests of the Company.”
- (2) “**THAT**, each as a separate resolution,
 - (a) the master agreement (the “**Fabric Master Agreement**”) dated 25 February 2010 (a copy of which will be produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) and entered into between Victory City Holdings Limited (on its behalf and as trustee for the benefit of other members of Victory City Holdings Limited and its subsidiaries) and Ford Glory Holdings Limited (on its behalf and as trustee for the benefit of other members of Ford Glory Holdings Limited and its subsidiaries) and the transactions contemplated thereby; and the relevant proposed annual capped amounts of the transactions contemplated under the Fabric Master Agreement for the three years ending 31 March 2013 as shown in the Company’s circular dated 18 March 2010 be and the same are hereby approved;

* *For identification purpose only*

NOTICE OF SGM

- (b) the master agreement (the “**Steam and Electricity Master Agreement**”) dated 25 February 2010 (a copy of which will be produced to the meeting marked “C” and signed by the chairman of the meeting for the purpose of identification) and entered into between Victory City Holdings Limited (on its behalf and as trustee for the benefit of other members of Victory City Holdings Limited and its subsidiaries) and Ford Glory Holdings Limited (on its behalf and as trustee for the benefit of other members of Ford Glory Holdings Limited and its subsidiaries) and the transactions contemplated thereby; and the relevant proposed annual capped amounts of the transactions contemplated under the Steam and Electricity Master Agreement for the three years ending 31 March 2013 as shown in the Company’s circular dated 18 March 2010 be and the same are hereby approved;
- (c) the master agreement (the “**Yarn Master Agreement**”) dated 25 February 2010 (a copy of which will be produced to the meeting marked “D” and signed by the chairman of the meeting for the purpose of identification) and entered into between Victory City Holdings Limited (on its behalf and as trustee for the benefit of other members of Victory City Holdings Limited and its subsidiaries) and Ford Glory Holdings Limited (on its behalf and as trustee for the benefit of other members of Ford Glory Holdings Limited and its subsidiaries) and the transactions contemplated thereby; and the relevant proposed annual capped amounts of the transactions contemplated under the Yarn Master Agreement for the three years ending 31 March 2013 as shown in the Company’s circular dated 18 March 2010 be and the same are hereby approved;

and that any directors of the Company be and is hereby authorised to take any step and execute any other documents and to do all such acts or things as they consider necessary, desirable or expedient in connection with the Fabric Master Agreement, the Steam and Electricity Master Agreement and/or the Yarn Master Agreement or any of the transactions contemplated thereby.”

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

Hong Kong, 18 March 2010

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

NOTICE OF SGM

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 and/or a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar, Tricor 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 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.
- 4 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. 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.
- 5 As at the date of this notice, the board of directors of the Company comprises Mr. Li Ming Hung, Mr. Chen Tien Tui, 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.