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VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 539)

TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING

Placing Agent



THE ROYAL BANK OF SCOTLAND N.V., HONG KONG BRANCH

On 13 October 2010, the Placing Agreement was entered into between the Vendors, the Company and the Placing Agent, pursuant to which the Placing Agent has agreed to place, on a best endeavours basis, 130,000,000 Placing Shares held by the Vendors, at HK\$1.83 per Placing Share. To the best knowledge and belief of the Directors, the placees are independent third parties who are not connected persons of the Company and are independent of, and not acting in concert with, the Vendors and their respective concert parties. The Placing is subject to various conditions set out below under the heading “Conditions of the Placing”.

On 13 October 2010, the Subscription Agreement was entered into between the Vendors and the Company, pursuant to which the Vendors have conditionally agreed to subscribe for the Subscription Shares (the number of which is equal to the number of Placing Shares sold by the Vendors) at HK\$1.83 per Subscription Share. The Subscription is subject to various conditions set out below under the heading “Conditions of the Subscription”.

The price per Placing Share represents (i) a discount of approximately 12.02% to the closing price of HK\$2.08 per Share as quoted on the Stock Exchange on 12 October 2010 (being the Last Trading Day); (ii) a discount of approximately 9.41% to the average closing price of HK\$2.02 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 4.69% to the average closing price of HK\$1.92 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Placing Shares represent (i) approximately 12.22% of the existing issued share capital of the Company as at the date of this announcement and (ii) approximately 10.89% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The shareholding of the Vendors and parties acting in concert with them will decrease from approximately 35.80% to approximately 23.58% immediately after completion of the Placing and will increase to approximately 31.90% immediately after completion of the Subscription. An application will be made by the Vendors to the Executive for the granting of a waiver from the general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription. Completion of the Subscription is conditional on, among others, that waiver being granted. An application will be made to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 30 August 2010.

The gross proceeds and net proceeds from the Subscription will amount to HK\$237.90 million and approximately HK\$231.30 million respectively. The Company intends to use the proceeds for general working capital of the Group.

At the request of the Company, trading in the Shares was suspended from 9:30 a.m. on 13 October 2010 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 2:30 p.m. on 13 October 2010.

1. THE PLACING

The Placing Agreement dated 13 October 2010 was entered into between the Vendors, the Company and the Placing Agent.

Vendors:

- (1) Pearl Garden Pacific Limited, a company incorporated in the BVI and is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for the family of Mr. Li Ming Hung, an executive Director. Pearl Garden Pacific Limited is a substantial Shareholder. As confirmed by Pearl Garden Pacific Limited, Pearl Garden Pacific Limited, together with parties acting in concert with it, owned 381,000,364 Shares, representing approximately 35.80% of the existing issued share capital of the Company as at the Last Trading Day; and
- (2) Madian Star Limited, a company incorporated in the BVI and is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for the family of Mr. Chen Tien Tui, an executive Director. Madian Star Limited is a substantial Shareholder. As confirmed by Madian Star Limited, Madian Star Limited, together with parties acting in concert with it, owned 381,000,364 Shares, representing approximately 35.80% of the existing issued share capital of the Company as at the Last Trading Day.

Placees:

It is expected that the Placing Shares will be placed to not less than six independent placees who, to the best knowledge and belief of the Directors, are not connected persons of the Company and are independent of, and not acting in concert with, the Vendors and their respective concert parties.

Number of Placing Shares:

The Placing Agent has agreed to procure, on a best endeavours basis, placees for the purchase of the following number of Shares owned by the Vendors, representing in aggregate approximately 12.22% of the existing issued share capital of the Company as at the date of this announcement or approximately 10.89% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription:

Vendor	Number of Placing Shares to be placed
Pearl Garden Pacific Limited	65,000,000
Madian Star Limited	65,000,000

Placing price:

HK\$1.83 per Placing Share.

This price was agreed after arm's length negotiations between the Vendors, the Company and the Placing Agent with reference to recent market prices of the Shares. This price represents (i) a discount of approximately 12.02% to the closing price of HK\$2.08 per Share on the Last Trading Day; (ii) a discount of approximately 9.41% to the average closing price of HK\$2.02 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 4.69% to the average closing price of HK\$1.92 per Share as quoted on the Stock Exchange from 28 September 2010 to 12 October 2010, both dates inclusive, being the last ten trading days up to and including the Last Trading Day.

Placing Agent:

The Royal Bank of Scotland N.V., Hong Kong Branch

Independence of placees and placing agent:

To the best knowledge and belief of the Directors:

- (a) the placees and the beneficial owners of the placed shares (where applicable) are independent third parties who are not connected persons of the Company or connected or associated with either of the Vendors or their respective controlling shareholders;
- (b) the placees and the beneficial owners of the placed shares (where applicable) are independent of and not acting in concert with the Vendors and their respective concert parties;
- (c) none of the placees will become substantial Shareholders of the Company immediately following the Placing; and
- (d) the Placing Agent is not a connected person of the Company.

Conditions of the Placing:

The Placing is conditional upon, among other conditions:

- (a) the Subscription Agreement having been entered into between each of the Vendors and the Company and not having been revoked, terminated or modified without the written consent of the Placing Agent (such consent shall not be unreasonably withheld);

- (b) there not having come to the attention of the Placing Agent at any time prior to completion of the Placing (i) any material breach of, or any event rendering untrue, incorrect, misleading or breached in any respect, any of the representations, warranties or undertakings in the Placing Agreement or (ii) any material breach of, or failure to perform, any of the other obligations of the Company or either of the Vendors which are required to be performed at or before completion of the Placing;
- (c) there not having come to the attention of the Placing Agent at any time prior to completion (i) any suspension of dealings in the Shares for any period of more than one day (even if such suspension is subsequently lifted prior to completion of the Placing) except for any suspension of dealings in the Shares caused by or due to the clearance of this announcement by the Stock Exchange, or any cancellation of the listing of the Shares, on the Stock Exchange or (ii) any adverse announcement, determination, investigation, indictment or ruling of any governmental or other regulatory body and whether against either of the Vendors, the Company, any of their respective directors or senior management or otherwise (including delay in approval of this announcement or any other relevant announcement by any relevant stock exchange), which (in any case mentioned in (i) or (ii) above), in the opinion of the Placing Agent, would be likely to prejudice materially the success of the Placing;
- (d) there not having occurred:
 - (i) any event, or series of events, beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, terrorism, acts of war and acts of God);
 - (ii) any adverse change, or development (whether or not permanent) involving a prospective adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company or the Group as a whole, whether or not arising in the ordinary course of business;
 - (iii) any change or any development (whether or not permanent) involving a prospective change or any crisis in local, national or international monetary, financial, economic, legal, taxation or political conditions (including, without limitation, conditions in the stock market, in the foreign exchange market, inter-bank market, money market and conditions with respect to interest rates in Hong Kong or otherwise) or foreign exchange controls in Hong Kong and overseas or any occurrence of a combination of any such changes or developments or crises or any deterioration of any such conditions;
 - (iv) any local, national or international occurrence, outbreak or escalation of hostilities whether war had been declared or not, or insurrection or armed conflict (whether or not involving financial markets), including, without limitation, the escalation of hostilities in Iraq or North Korea;

which, in the opinion of the Placing Agent, is likely to or may prejudice materially the success of the Placing;

- (e) there not having developed, occurred or come into force the introduction of any new law or regulation or change in existing laws or regulations (or the judicial interpretation thereof) or any other similar event which in the opinion of the Placing Agent has or is likely to have a material adverse effect on the business or financial condition of the Company;
- (f) there not having been imposed any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to completion;
- (g) the delivery to the Placing Agent at completion of legal opinions in such form and with such contents as the Placing Agent may require from the legal advisers of the relevant jurisdictions; and
- (h) the delivery to the Placing Agent at completion of certified true copies of the board minutes of:
 - (i) the Company duly authorising the Company to enter into the Placing Agreement and the Subscription Agreement; and
 - (ii) each Vendor duly authorising the relevant Vendor to enter into the Placing Agreement and the Subscription Agreement.

Completion of the Placing:

Under the Placing Agreement, the Placing is agreed to be completed at 12:00 p.m. (Hong Kong time) on 15 October 2010 or such other time as the Vendors and the Placing Agent shall agree.

Rights of the Placing Shares:

The Placing Shares will be sold by the Vendors free of liens, charges, encumbrances and any third party rights and together with all rights attaching thereto at the date of completion of the Placing.

Restrictions on the Company issuing new Shares

Under the Placing Agreement the Company has undertaken to the Placing Agent that (except for (i) the Subscription Shares to be allotted and issued to the Vendors under the Subscription Agreement (ii) the granting of options under the existing employee share option scheme of the Company or any new Shares to be issued pursuant to the existing employee share options of the Company in issue as at the date of the Placing Agreement and (iii) any Shares or other securities or rights issued or granted to Shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares of the Company in accordance with its bye-laws or on the exercise of rights existing at the date of the Placing Agreement) from the date of the Placing Agreement and on and prior to the date being three months after the date of the Placing Agreement the Company will not (without the prior written consent of the Placing Agent):

- (a) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for any Shares or interests therein, or substantially similar to any Shares or interest in Shares; or
- (b) agree (conditionally or unconditionally) to enter into or effect any such transactions with the same economic effect as any of the transactions described in (a) above; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above.

Restrictions on disposals of Shares by the Vendors

Each Vendor has undertaken to the Placing Agent in the Placing Agreement that:

- (a) the Vendor will not dispose of any Shares of the Company or any interest therein from the date of the Placing Agreement and on or prior to the date being three months after the date of the Placing Agreement which may create a disorderly or false market for the Shares of the Company; and
- (b) (except for the Placing of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and on or prior to the date being three months after the date of the Placing Agreement the Vendor will not and will procure that none of its nominees, companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent):

- (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares to be issued under the Subscription Agreement but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for any Shares or interests therein, or substantially similar to any such Shares or interests;
- (ii) or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (iii) or announce any intention to enter into or effect any such transaction described in (i) or (ii) above,

provided that the provisions contained in (i), (ii) and (iii) above shall not apply to those Shares (excluding the Shares to be subscribed by the Vendors pursuant to the Subscription Agreement) which are acquired by or issued and allotted to the Vendors after the date of the Placing Agreement.

2. THE SUBSCRIPTION

The Subscription Agreement dated 13 October 2010 was entered into between the Vendors and the Company.

Subscribers: The Vendors

Issuer: The Company

Number of Subscription Shares:

The Company will allot and issue and the Vendors will subscribe for new Shares equivalent to the respective numbers of Shares placed by the Vendors under the Placing. Assuming that all the Placing Shares are successfully placed, the Vendors would subscribe for the following number of Shares, representing in aggregate approximately 12.22% of the existing issued share capital of the Company as at the date of this announcement or approximately 10.89% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription. The aggregate maximum nominal value of the Subscription Shares will be HK\$1,300,000.

Vendor	Number of Subscription Shares
Pearl Garden Pacific Limited	65,000,000
Madian Star Limited	65,000,000

Subscription price:

HK\$1.83 per Subscription Share, which is the equivalent of the purchase price per Placing Share. The Subscription Agreement provides that the subscription monies to be paid by each Vendor to the Company for the Subscription Shares to be subscribed by the relevant Vendor shall be the aggregate amount of the Subscription Price for the relevant Subscription Shares, less the expenses in relation to the Placing paid by the relevant Vendor to the Placing Agent (if any). The net price per Subscription Share is expected to be approximately HK\$1.78.

Mandate to allot and issue new Shares:

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 30 August 2010. The Company is authorised to issue 212,819,831 Shares under such mandate and the Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the date of the Subscription Agreement. Accordingly, the issue of the Subscription Shares is not subject to Shareholders' approval.

Ranking:

The Subscription Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of such allotment and issue pursuant to the Subscription Agreement.

Conditions of the Subscription:

The Subscription is conditional upon, among other conditions:

- (i) completion of the Placing by the Placing Agent of the Placing Shares having occurred pursuant to the terms of the Placing Agreement;
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in all of the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive certificates of title representing the Subscription Shares); and

- (iii) the Executive granting a waiver to the Vendors under Note 6 (“Placing and top-up transactions”) of the Notes on dispensations from Rule 26 of the Takeovers Code, to the effect that neither of the Vendors nor any party acting in concert with them will be obliged to make a general offer for the Shares under the Takeovers Code as a result of completion of the Subscription Agreement.

None of the above conditions can be waived by the parties to the Subscription Agreement.

The shareholding of the Vendors and parties acting in concert with them will decrease from approximately 35.80% to approximately 23.58% immediately after completion of the Placing and will increase to approximately 31.90% immediately after completion of the Subscription. An application will be made by the Vendors to the Executive for the granting of a waiver from the general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription. As referred to above, completion of the Subscription is conditional on, among others, that waiver being granted. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription:

Completion of the Subscription will take place as soon as possible after all the conditions to completion of the Subscription, referred to above, have been fulfilled and in any event no later than 4:00 p.m. (Hong Kong time) on the next business day (being a day (excluding Saturday) on which banks generally are open for business in Hong Kong) after the day on which the conditions are fulfilled. The Company and the Vendors shall use their respective best endeavours to ensure that completion of the Subscription shall take place not later than 5 business days after the date of completion of the Placing, provided that if the conditions to completion of the Subscription have not been fulfilled on or prior to that date, the Vendors and the Company may, having first obtained the consent of the Placing Agent, extend the date for such completion to a date not later than 14 days after the date of the Subscription Agreement.

If the conditions to the Subscription are not fulfilled by 14 days after the date of the Subscription Agreement, the Subscription will lapse.

3. CHANGES TO THE SHAREHOLDINGS AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

The shareholding structure of the Company immediately before the Placing, immediately after the Placing but before the Subscription, and immediately after the Placing and the Subscription are as follows:

Shareholder	Existing shareholding (Note)		Immediately after the Placing but before the Subscription		Immediately after the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Vendors						
Pearl Garden Pacific Limited	175,788,682	16.52	110,788,682	10.41	175,788,682	14.72
Madian Star Limited	175,788,682	16.52	110,788,682	10.41	175,788,682	14.72
Parties acting in concert with the Vendors						
Mr. Li Ming Hung	13,868,000	1.30	13,868,000	1.30	13,868,000	1.16
Mr. Chen Tien Tui	15,555,000	1.46	15,555,000	1.46	15,555,000	1.30
<i>Vendors and parties acting in concert with any of them</i>	<i>381,000,364</i>	<i>35.80</i>	<i>251,000,364</i>	<i>23.58</i>	<i>381,000,364</i>	<i>31.90</i>
Placees	–	–	130,000,000	12.22	130,000,000	10.89
Public	683,098,794	64.20	683,098,794	64.20	683,098,794	57.21
Total	<u>1,064,099,158</u>	<u>100.00</u>	<u>1,064,099,158</u>	<u>100.00</u>	<u>1,194,099,158</u>	<u>100.00</u>

Note:

The number of existing Shares held by the Shareholders is based on the register of members of the Company as at 12 October 2010.

4. REASONS FOR THE PLACING AND SUBSCRIPTION

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and shareholders' base of the Company. The Directors (including the independent non-executive Directors) consider the terms of the Placing Agreement and the Subscription Agreement to be fair and reasonable and in the best interests of the Company, as far as the Shareholders are concerned.

On 18 December 2009, the Company issued 35,000,000 Shares at a subscription price of HK\$1.35 each, by way of a top-up placing. The net proceeds of approximately HK\$47.15 million was used as general working capital of the Company.

On 5 October 2010, the share of the Company's indirectly owned subsidiary, FGG, were listed on the Stock Exchange by way of spin-off (the "**FGG Global Offering**"). FGG will continue to be a subsidiary of the Company. The number of shares of FGG offered in the FGG Global Offering was 118,000,000 and the offer price for each offer share of FGG was HK\$0.60. The net proceeds received by FGG from the FGG Global Offering was approximately HK\$52.1 million. The intended use of such proceeds was disclosed in the prospectus of FGG dated 17 September 2010 and the announcement of FGG dated 4 October 2010.

Save as disclosed above, the Company had not conducted any equity fund raising exercises in the 12 months preceding the date of this announcement.

5. USE OF PROCEEDS

The gross proceeds under the Subscription are expected to be HK\$237.90 million. The net proceeds, after deducting related professional fees and all related expenses which will be borne by the Company under the Subscription, are expected to be approximately HK\$231.30 million. The Company intends to use the proceeds for general working capital of the Group.

6. GENERAL INFORMATION

The Group is principally engaged in the production and sale of knitted fabric, dyed yarn and garment products.

7. RESUMPTION

At the request of the Company, trading in the Shares was suspended from 9:30 a.m. on 13 October 2010 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 2:30 p.m. on 13 October 2010.

8. DEFINITIONS

The following defined terms are used in this announcement:

“acting in concert”	has the meaning as ascribed to it under the Takeovers Code
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“FGG”	Ford Glory Group Holdings Limited
“Group”	the Company and its subsidiaries, and the expression “member of the Group” shall be construed accordingly
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	12 October 2010, being the last trading day in the Shares pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement

“Placing Agent”	The Royal Bank of Scotland N.V., Hong Kong Branch, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“Placing Agreement”	the placing agreement dated 13 October 2010 and made between the Vendors, the Company and the Placing Agent
“Placing Shares”	a total of 130,000,000 Shares beneficially owned by the Vendors to be sold to the Purchasers pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendors pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 13 October 2010 and made between the Vendors and the Company
“Subscription Shares”	a total of 130,000,000 new Shares, being the number of Shares placed pursuant to the Placing Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	(1) Pearl Garden Pacific Limited; and (2) Madian Star Limited
%	per cent.

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

Hong Kong, 13 October 2010

As at the date of this announcement, the executive Directors are Mr. Li Ming Hung (Chairman), Mr. Chen Tien Tui (Chief Executive Officer), Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung and the independent non-executive Directors are Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

** For identification purposes only*