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

If you have sold or transferred all your shares in the Company, you should at once hand this circular with the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SGM

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



CIMB-GK Securities (HK) Limited

Capitalised terms used in this cover page have the same meanings as defined in the section headed “Definitions” in this circular.

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 CIMB-GK containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 21 of this circular.

A notice convening the special general meeting of the Company to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, Hong Kong at 10:00 a.m. on Wednesday, 24 October 2007 is set out on pages 35 to 37 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Secretaries Limited, the branch share registrar 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 meeting or any adjournment thereof.

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

4 October 2007

* for identification purposes only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
Simplified corporate structure of the Group	5
Continuing Connected Transactions	5
Master Agreements	6
General	13
SGM	13
Recommendation	14
Additional information	14
Letter from the Independent Board Committee	15
Letter from CIMB-GK	16
Appendix I – Procedures for demanding a poll	22
Appendix II – General information	23
Notice of SGM	35

DEFINITIONS

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

“Announcement”	the announcement dated 12 September 2007 and issued by the Company in relation to, among other matters, the Continuing Connected Transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CIMB-GK”	CIMB-GK Securities (HK) Ltd., the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions
“Company”	Victory City International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	collectively, the continuing connected transactions constituted by the transactions contemplated under the Master Agreements
“Director(s)”	the director(s) of the Company
“FG Group”	FG (Holdings) and its subsidiaries from time to time
“FG (Holdings)”	Ford Glory Holdings Limited, a company incorporated under the laws of the BVI and owned as to 51% by Victory City Investments Limited, a wholly-owned subsidiary of the Company
“FG (Holdings)-Xinhui Master Agreement”	the master agreement dated 1 April 2007 and entered into between FG (Holdings) (on its behalf and as trustee for the benefit of other members of the FG Group) and Xinhui in relation to the purchase of fabrics products and related accessories from the FG Group by Xinhui
“FG (Trading)”	Ford Glory International Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of FG (Holdings)

DEFINITIONS

“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Mr. Choi Lin Hung, Kimberly, the members of the FG Group and their associates
“Kimberly”	加美(清遠)制衣有限公司 (Kimberly (Qing Yuan) Garment Limited, being its unofficial English name), a company incorporated under the laws of the PRC and held by a director of a subsidiary of the Company and his wife
“Kimberly-Mayer Master Agreement”	the master agreement dated 1 April 2007 and entered into between Kimberly and Mayer in relation to the purchase of apparel products from Kimberly by Mayer
“Latest Practicable Date”	2 October 2007, being the latest practicable date prior to the printing of the circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreements”	collectively, (i) the Kimberly-Mayer Master Agreement; (ii) the Mayer-FG (Holdings) Master Agreement; (iii) the VC (Holdings)-FG (Holdings) Master Agreement; (iv) the Xinhui-FG (Trading)-FG (Holdings) Master Agreement; (v) the Xinhui-FG (Holdings) Master Processing Agreement; and (vi) the FG (Holdings)-Xinhui Master Agreement
“Mayer”	Mayer Apparel Limited, a company incorporated under the laws of Hong Kong and owned as to 51% by FG (Holdings) and 49% by an independent third party
“Mayer-FG (Holdings) Master Agreement”	the master agreement dated 1 April 2007 and entered into between Mayer and FG (Holdings) (on its behalf and as trustee for the benefit of other members of the FG Group (other than Mayer)) in relation to the purchase of apparel products from Mayer by the FG Group (other than Mayer)

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be convened for approving the Master Agreements and the related expected annual caps for the three years ending 31 March 2010
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VC (Holdings)”	Victory City Holdings Limited, a company incorporated under the laws of the BVI and a wholly-owned subsidiary of the Company
“VC (Holdings)-FG (Holdings) Master Agreement”	the master agreement dated 1 April 2007 and entered into between VC (Holdings) (on its behalf and as trustee for the benefit of its subsidiaries from time to time) and FG (Holdings) (on its behalf and as trustee for the benefit of other members of the FG Group) in relation to the purchase of fabrics from VC (Holdings) and its subsidiaries from time to time by the FG Group
“Xinhui”	江門冠暉製衣有限公司 (Jiangmen V-Apparel Manufacturing Ltd., being its unofficial English name), a company incorporated under the laws of the PRC and owned as to 60% by VC (Holdings)
“Xinhui-FG (Holdings) Master Processing Agreement”	the master processing agreement dated 1 April 2007 and entered into between Xinhui and FG (Holdings) (on its behalf and as trustee for the benefit of other members of the FG Group) in relation to the provision of the processing service by Xinhui to the FG Group in relation to the manufacture of apparel products
“Xinhui-FG (Trading)-FG (Holdings) Master Agreement”	the master agreement dated 1 April 2007 and entered into between Xinhui, FG (Trading) and FG (Holdings) (on its behalf and as trustee for the benefit of other members of the FG Group) in relation to the purchase of apparel products, fabrics products and related accessories from Xinhui and FG (Trading) by the FG Group
“%”	per cent.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 539)

Executive Directors:

Li Ming Hung (Chairman)

Chen Tien Tui (Chief Executive Officer)

So Kam Wah

Lee Yuen Chiu, Andy

Choi Lin Hung

Registered office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Kan Ka Hon

Phaisalakani Vichai

Kwok Sze Chi

*Head office and principal place
of business in Hong Kong:*

Unit D, 3rd Floor

Winfield Industrial Building

3 Kin Kwan Street

Tuen Mun

Hong Kong

4 October 2007

To the Shareholders

Dear Sir/Madam

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

As stated in the Announcement, on 1 April 2007 six Master Agreements were entered into between the Group and various connected persons of the Company to regulate the supplier/provider and customer relationships between the parties to the Master Agreements, all of which are for a term commencing from 1 April 2007 and ending on 31 March 2010 (both days inclusive). The transactions contemplated under the Master Agreements constitute Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules.

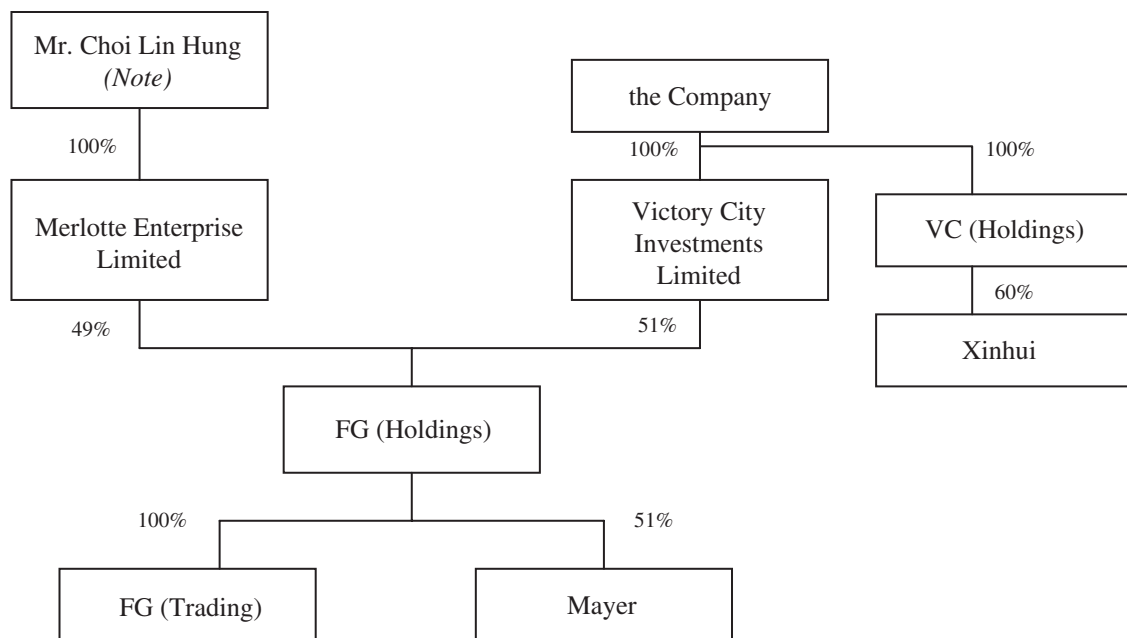
The primary purpose of this circular is to provide you with information regarding the resolutions to be proposed at the SGM and to give you notice of the SGM. Resolutions will be proposed at the SGM to approve the Continuing Connected Transactions and the related expected annual caps.

* for identification purposes only

LETTER FROM THE BOARD

SIMPLIFIED CORPORATE STRUCTURE OF THE GROUP

A simplified corporate structure of the Group showing the relationships between the parties to the Master Agreements (other than Kimberly) is as follows:



Note: Mr. Choi Lin Hung is an executive Director.

CONTINUING CONNECTED TRANSACTIONS

FG (Holdings) 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 Lin Hung, an executive Director, is entitled to control the exercise of more than 10% of the voting power at general meetings of FG (Holdings) through his wholly-owned company, Merlotte Enterprise Limited. Hence, FG (Trading) and Mayer, being subsidiaries of FG (Holdings), are all connected persons of the Company under Rule 14A.11(6) of the Listing Rules.

On the other hand, Kimberly is owned by a director of a subsidiary of the Company and his wife and therefore is an associate of such director and a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

Accordingly, all the transactions contemplated under the Master Agreements constitute Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules. Based on their expected annual caps for the three years ending 31 March 2010, the Continuing Connected Transactions, when aggregated, are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Master Agreements and the related expected annual caps for the three years ending 31 March 2010 at the SGM. Mr. Choi Lin Hung, Kimberly, FG (Holdings) and its subsidiaries and their associates will abstain from voting on the resolutions

LETTER FROM THE BOARD

approving the Master Agreements and the related expected annual caps which will be proposed at the SGM. As at the Latest Practicable Date, Mr. Choi Lin Hung held 3,228,000 shares in the Company, representing approximately 0.49% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the persons (other than Mr. Choi Lin Hung) who is required to abstain from voting at the SGM was holding any shares in the Company as at the Latest Practicable Date.

MASTER AGREEMENTS

General terms

All the Master Agreements are dated 1 April 2007 and for a term commencing from 1 April 2007 to 31 March 2010 (both days inclusive). For all the Master Agreements, the purchase price (being the cost of materials), the quantity and specifications of products concerned, the time and place of delivery of the products concerned and/or (as the case may be) the relevant terms of the services to be provided 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 or (as the case may be) orders.

Payment terms

The parties to each of the Master Agreements have acknowledged under the relevant Master Agreement that the purchase price of the products concerned or (as the case may be) the service fee concerned will 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. The payment terms for the products or service fee will be set out in the relevant purchase orders or orders to be placed under each of the Master Agreements.

(1) KIMBERLY-MAYER MASTER AGREEMENT

Parties

- (i) Kimberly, principally engaged in the manufacture of apparel products, as vendor; and
- (ii) Mayer, principally engaged in the trading of apparel products, as purchaser.

Subject matter

Pursuant to the Kimberly-Mayer Master Agreement, Kimberly has agreed to sell to Mayer, and Mayer has agreed to purchase from Kimberly, apparel products during the term of the Kimberly-Mayer Master Agreement.

LETTER FROM THE BOARD

Expected annual caps

The purchases of apparel products by Mayer from Kimberly during the year ended 31 March 2007 and the period from 1 April 2007 to 30 June 2007 amounted to approximately HK\$23.4 million and HK\$15.6 million respectively. Based on the amount for the three months ended 30 June 2007, when considered alone, the Continuing Connected Transactions under such Master Agreement are subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules but not the independent shareholders' approval requirement under Rule 14A.35 of the Listing Rules. The following table sets out the expected annual caps for the purchases of apparel products by Mayer from Kimberly for the three years ending 31 March 2010:

	Year ending 31 March		
	2008	2009	2010
Expected annual caps	HK\$149.76 million	HK\$224.64 million	HK\$336.96 million

(2) MAYER-FG (HOLDINGS) MASTER AGREEMENT

Parties

- (i) Mayer, principally engaged in the trading of apparel products, as vendor; and
- (ii) FG (Holdings), an investment holding company, on its own behalf and as trustee for the benefit of other members of the FG Group (excluding Mayer), as purchaser.

Subject matter

Pursuant to the Mayer-FG (Holdings) Master Agreement, Mayer has agreed to sell to the FG Group (excluding Mayer), and the FG Group (excluding Mayer) has agreed to purchase from Mayer, apparel products during the term of the Mayer-FG (Holdings) Master Agreement.

Expected annual caps

The purchases of apparel products by the FG Group (excluding Mayer) from Mayer during the year ended 31 March 2007 and the period from 1 April 2007 to 30 June 2007 amounted to approximately HK\$34.32 million and HK\$21.84 million respectively. Based on the amount for the three months ended 30 June 2007, when considered alone, the Continuing Connected Transactions under such Master Agreement are subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules but not the independent shareholders' approval requirement under Rule 14A.35 of the Listing Rules. The following table sets out the expected annual caps for the purchases of apparel products by the FG Group (excluding Mayer) from Mayer for the three years ending 31 March 2010:

LETTER FROM THE BOARD

	Year ending 31 March		
	2008	2009	2010
Expected annual caps	HK\$187.2 million	HK\$280.8 million	HK\$421.2 million

(3) VC (HOLDINGS)-FG (HOLDINGS) MASTER AGREEMENT

Parties

- (i) VC (Holdings), an investment holding company, on its own behalf and as trustee for the benefit of its subsidiaries from time to time, as vendor; and
- (ii) FG (Holdings), an investment holding company, on its own behalf and as trustee for other members of the FG Group, as purchaser.

Subject matter

Pursuant to the VC (Holdings)-FG (Holdings) Master Agreement, VC (Holdings) and its subsidiaries from time to time have agreed to sell to the FG Group, and the FG Group has agreed to purchase from VC (Holdings) and its subsidiaries from time to time, fabrics during the term of the VC (Holdings)-FG (Holdings) Master Agreement.

Expected annual caps

The purchases of fabrics by the FG Group from VC (Holdings) and its subsidiaries from time to time during the year ended 31 March 2007 and the period from 1 April 2007 to 30 June 2007 amounted to approximately HK\$4 million and HK\$0.24 million respectively. Based on the amount for the three months ended 30 June 2007, when considered alone, the Continuing Connected Transactions under such Master Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules. The following table sets out the expected annual caps for the purchases of fabrics by the FG Group from VC (Holdings) and its subsidiaries from time to time for the three years ending 31 March 2010:

	Year ending 31 March		
	2008	2009	2010
Expected annual caps	HK\$5 million	HK\$6 million	HK\$8 million

LETTER FROM THE BOARD

(4) XINHUI-FG (TRADING)-FG (HOLDINGS) MASTER AGREEMENT

Parties

- (i) Xinhui, principally engaged in the manufacture of garment, and FG (Trading), principally engaged in sourcing and exporting of apparel products, as vendors; and
- (ii) FG (Holdings), an investment holding company, on its own behalf and as trustee for the benefit of other members of the FG Group, as purchaser.

Subject matter

Pursuant to the Xinhui-FG (Trading)-FG (Holdings) Master Agreement, each of Xinhui and FG (Trading) has agreed to sell to the FG Group, and the FG Group has agreed to purchase from Xinhui and FG (Trading), apparel products, fabrics products and related accessories during the term of the Xinhui-FG (Trading)-FG (Holdings) Master Agreement.

Expected annual caps

The purchases of apparel products, fabrics products and related accessories by the FG Group from Xinhui and FG (Trading) during the year ended 31 March 2007 and the period from 1 April 2007 to 30 June 2007 amounted to approximately HK\$134 million and HK\$34 million respectively. Based on the amount for the three months ended 30 June 2007, when considered alone, the Continuing Connected Transactions under such Master Agreement are subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules but not the independent shareholders' approval requirement under Rule 14A.35 of the Listing Rules. The following table sets out the expected annual caps for the purchases of apparel products, fabrics products and related accessories by the FG Group from Xinhui and FG (Trading) for the three years ending 31 March 2010:

	Year ending 31 March		
	2008	2009	2010
Expected annual caps	HK\$392.2 million	HK\$569.8 million	HK\$836.2 million

(5) XINHUI-FG (HOLDINGS) MASTER PROCESSING AGREEMENT

Parties

- (i) Xinhui, principally engaged in the manufacture of garment, as provider; and
- (ii) FG (Holdings), an investment holding company, on its own behalf and as trustee for the benefit of other members of the FG Group, as customer.

LETTER FROM THE BOARD

Subject matter

Pursuant to the Xinhui-FG (Holdings) Master Processing Agreement, Xinhui has agreed to provide to the FG Group, and the FG Group has agreed to engage Xinhui to provide, the processing service in relation to the manufacture of apparel products during the term of the Xinhui-FG (Holdings) Master Processing Agreement.

Expected annual caps

The service fee paid by the FG Group to Xinhui during the year ended 31 March 2007 and the period from 1 April 2007 to 30 June 2007 amounted to approximately HK\$4 million and HK\$1.5 million respectively. Based on the amount for the three months ended 30 June 2007, when considered alone, the Continuing Connected Transactions under such Master Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules. The following table sets out the expected annual caps for the service fee to be paid by the FG Group to Xinhui for the three years ending 31 March 2010:

	Year ending 31 March		
	2008	2009	2010
Expected annual caps	HK\$8 million	HK\$12 million	HK\$18 million

(6) FG (HOLDINGS)-XINHUI MASTER AGREEMENT

Parties

- (i) FG (Holdings), an investment holding company, on its own behalf and as trustee for the benefit of other members of the FG Group, as vendor; and
- (ii) Xinhui, principally engaged in the manufacture of garment, as purchaser.

Subject matter

Pursuant to the FG (Holdings)-Xinhui Master Agreement, the FG Group has agreed to sell to Xinhui, and Xinhui has agreed to purchase from the FG Group, fabrics products and related accessories during the term of the FG (Holdings)-Xinhui Master Agreement.

LETTER FROM THE BOARD

Expected annual caps

The purchases of fabrics products and related accessories by Xinhui from the FG Group during the year ended 31 March 2007 and the period from 1 April 2007 to 30 June 2007 amounted to approximately HK\$20 million and HK\$7.5 million respectively. Based on the amount for the three months ended 30 June 2007, when considered alone, the Continuing Connected Transactions under such Master Agreement are subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules but not the independent shareholders' approval requirement under Rule 14A.35 of the Listing Rules. The following table sets out the expected annual caps for the purchases of fabrics products and related accessories by Xinhui from the FG Group for the three years ending 31 March 2010:

	Year ending 31 March		
	2008	2009	2010
Expected annual caps	HK\$50.4 million	HK\$75.6 million	HK\$113.4 million

Total transaction amount for the three months ended 30 June 2007

Based on the total transaction amount of approximately HK\$80.7 million for the three months ended 30 June 2007, the Continuing Connected Transactions under all the Master Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Since the approval of the Independent Shareholders' approval has not been obtained as at the Latest Practicable Date, such requirements have not been fully complied with.

Basis of expected annual caps

Kimberly-Mayer Master Agreement and Mayer-FG (Holdings) Master Agreement

These two Master Agreements are inter-related as Mayer will place purchase orders with Kimberly based on the sales orders received by FG (Holdings) from its customers. The arrangements between Kimberly and Mayer started in 2006. The expected annual caps for these two Master Agreements for the year ending 31 March 2008 are determined by reference to (i) the historical amount of sales order of the apparel products received by FG (Holdings) from its customers during the year ended 31 March 2007 and the period from 1 April 2007 to 30 June 2007; and (ii) the expected growth in demand for the apparel products from customers of FG (Holdings) for the years ending 31 March 2008. The growth in the expected annual caps for each of the two years ending 31 March 2010 are determined by reference to the expected annual expansion of up to approximately 50% of Kimberly's existing production capacity during these two years. Growth in the sales volume of the existing clients of Kimberly as well as from Kimberly's expanded clientele and the prevailing market prices of the apparel products also contribute to the determination of the expected annual caps.

LETTER FROM THE BOARD

Other Master Agreements

The Continuing Connected Transactions contemplated under other Master Agreements are entered into between subsidiaries of the Company, including FG (Holdings) (a company owned as to 51% indirectly by the Company), FG (Trading) (a wholly-owned subsidiary of FG (Holdings)), VC (Holdings) (a wholly-owned subsidiary of the Company) and Xinhui (a company owned as to 60% by VC (Holdings)). They constitute intra-group transactions and are carried out in connection with sourcing of fabrics and accessories and the supply of the Group's products to the customers of the Group. Hence, with the increase in the Group's turnover, the volume of the Continuing Connected Transactions will also increase accordingly. The transactions conducted between the subsidiaries of the Company as contemplated under these Master Agreements commenced in 2006. In this regard, the Directors have taken into account the following principal factors in determining the expected annual caps for the Continuing Connected Transactions contemplated under these Master Agreements:

- (i) the historical amount of sourcing of fabrics and accessories by the relevant vendors from the independent suppliers for the purchases under the relevant Master Agreements during the year ended 31 March 2007 and the period from 1 April 2007 to 30 June 2007 (where there is such historical figure for reference);
- (ii) the expected continuous growth in demand for the Group's apparel products, and hence the corresponding increase in demand for the sourcing of fabric products and related accessories, for the three years ending 31 March 2010 based on the latest increased indications as noted from the customers of the Group for the Group's products as compared to the corresponding period in 2006;
- (iii) the Group's intention to expand its production facilities (including the factory operated by Xinhui and the factory in Indonesia under the FG Group) to increase its overall production capacity which will lead to increase in the volume of the Continuing Connected Transactions; and
- (iv) the prevailing market prices of the fabrics, accessories and garments involved under the Continuing Connected Transactions.

LETTER FROM THE BOARD

Reasons for the Continuing Connected Transactions contemplated under the Master Agreements

The Group is principally engaged in the production and sale of knitted fabric and dyed yarn and provision of related subcontracting services, trading and manufacturing of garment products and provision of quality inspection services. All the Master Agreements were entered into by the respective parties in the ordinary course of business.

The 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 expected annual caps in respect of each of the Master Agreements for the three years ending 31 March 2010 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.

As discussed in the paragraph headed "Basis of expected annual caps" above, the Continuing Connected Transactions (which are mostly intra-group transactions) relate to the sourcing of materials, the manufacture of the Group's products and the sale of the products to the Group's customers. The executive Directors therefore consider the Continuing Connected Transactions not only beneficial, but also essential, to the business operations of the Group.

GENERAL

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.

SGM

Ordinary resolutions will be proposed at the SGM for approving the Continuing Connected Transactions and the related expected annual caps. A notice of the SGM is set out on pages 35 to 37 of this circular. Mr. Choi Lin Hung, Kimberly, FG (Holdings) and its subsidiaries and their associates will abstain from voting on the resolutions approving the Master Agreements and the related expected annual caps which will be proposed at the SGM. As at the Latest Practicable Date, Mr. Choi Lin Hung held 3,228,000 shares in the Company, representing approximately 0.49% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the persons (other than Mr. Choi Lin Hung) who is required to abstain from voting at the SGM was holding any shares in the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders to be cast at the SGM in relation to the Proposed Connected Transactions shall be taken by poll.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time for the 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 should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM regarding the Continuing Connected Transactions. Your attention is also drawn to the letter of advice received from CIMB-GK which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the principal factors and reasons considered by it in concluding its advice. The letter from CIMB-GK is set out on pages 16 to 21 of this circular. The Independent Board Committee, having taken into account the advice from CIMB-GK, considers that the terms of the Master Agreements as well as the relevant proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and the Continuing Connected Transactions are on normal commercial terms and are or will be conducted in the ordinary and usual course of business of the Group and they are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Continuing Connected Transactions and the related expected annual caps.

ADDITIONAL INFORMATION

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

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



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 539)

To the Shareholders

4 October 2007

Dear Sir/Madam

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular to the Shareholders dated 4 October 2007 (“Circular”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to consider the terms of the Master Agreements as well as the expected annual caps for the Continuing Connected Transactions and to advise the Independent Shareholders in connection with the Continuing Connected Transactions as to whether the terms of the Master Agreements as well as the related expected annual caps are fair and reasonable so far as the Independent Shareholders are concerned and whether the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 4 to 14 of the Circular and the letter of advice from CIMB-GK as set out on pages 16 to 21 of the Circular.

Having considered, among other matters, the principal factors and reasons considered by, and the opinion of, CIMB-GK as set out in its letter of advice, we consider that the terms of the Master Agreements as well as the expected annual caps for the Continuing Connected Transactions are fair and reasonable as far as the Independent Shareholders are concerned and the Continuing Connected Transactions are on normal commercial terms and are or will be conducted in the ordinary and usual course of business of the Group and they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Continuing Connected Transactions and the related expected annual caps, as contained in the notice convening the SGM set out on pages 35 to 37 of the Circular, to be proposed at the SGM.

Yours faithfully

Independent Board Committee

Kan Ka Hon Phaisalakani Vichai Kwok Sze Chi

Independent non-executive Directors

* for identification purposes only



CIMB-GK Securities (HK) Limited

25/F., Central Tower
28 Queen's Road Central
Hong Kong

4 October 2007

*To the Independent Board Committee and
the Independent Shareholders of
Victory City International Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the related expected annual caps, details of which are set out in the letter from the Board as contained in the circular of the Company to the Shareholders dated 4 October 2007 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

An independent board committee comprising Messrs. Kan Ka Hon, Phaisalakani Vichai and Kwok Sze Chi, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Continuing Connected Transactions and the related expected annual caps. Any vote of the Independent Shareholders at the SGM shall be taken by poll. Mr. Choi Lin Hung, Kimberly, FG (Holdings) and its subsidiaries and their associates will abstain from voting on the resolutions approving the Master Agreements and the related expected annual caps which will be proposed at the SGM.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the dispatch of the Circular. We consider that we have reviewed sufficient information and documents to satisfy ourselves that we have a reasonable basis to assess the fairness and reasonableness of the terms of the Agreement in order to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its respective subsidiaries or associates.

LETTER FROM CIMB-GK

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion on the Continuing Connected Transactions and the proposed annual caps, we have considered the following principal factors and reasons:

Reasons

The Group is principally engaged in the production and sale of knitted fabric and dyed yarn and provision of related subcontracting services, trading and manufacturing of garment products and provision of quality inspection services. We note that as the Continuing Connected Transactions contemplated under the Master Agreements relate to sale and purchase of fabrics and apparel products, the Master Agreements were entered into in the usual and ordinary course of business of the Group with an aim to regulate the supplier/provider and customer relationships between the parties of the Master Agreements. The following table summarises the parties and the subject matter of the Continuing Connected Transactions under each of the Master Agreements:

Name of the Master Agreement	Parties	Subject matter
1. Kimberly-Mayer Master Agreement	Vendor : Kimberly Purchaser : Mayer	Sale and purchase of apparel products
2. Mayer-FG (Holdings) Master Agreement	Vendor : Mayer Purchaser : FG (Holdings)	Sale and purchase of apparel products
3. VC (Holdings)-FG (Holdings) Master Agreement	Vendor : VC (Holdings) Purchaser : FG (Holdings)	Sale and purchase of fabrics
4. Xinhui-FG (Trading)-FG (Holdings) Master Agreement	Vendor : Xinhui FG (Trading) Purchaser : FG (Holdings)	Sale and purchase of apparel products, fabrics products and related accessories
5. Xinhui-FG (Holdings) Master Processing Agreement	Provider : Xinhui Customer : FG (Holdings)	Provision and subscription of processing services relating to the manufacture of apparel products
6. FG (Holdings) – Xinhui Master Agreement	Vendor : FG (Holdings) Purchaser : Xinhui	Sale and purchase of fabrics products and related accessories

Having taken into account the subject matter of the Continuing Connected Transactions whereby all of which are conducted in the ordinary and usual course of business of the Group, and the fact that the terms of the Continuing Connected Transactions are based on normal commercial terms (as elaborated below), we consider that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM CIMB-GK

Terms of the Master Agreements

We note that for all the Master Agreements, the purchase price (being the cost of materials), the quantity of products, the specifications of the products, the time and place of delivery of the products concerned and/or (as the case may be) the relevant terms of the additional services to be provided will be negotiated by the parties in accordance with the relevant costs, the then prevailing market rates and in good faith which will be set out in the relevant purchase orders. We have reviewed the terms of some of the sample purchase orders of independent customers for the period from September 2006 to May 2007 and noted that they were comparable with those of the terms of the relevant purchase orders under the Master Agreements. Given this basis, we consider the terms of the Master Agreements are of normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned.

Annual caps

The historical amounts of the Continuing Connected Transactions contemplated under the Master Agreements and their respective proposed annual caps are set out below:

Name of the Master Agreement	For the	For the	Annual cap		
	year ended 31 March 2007 (HK\$ mil)	three months ended 30 June 2007 (HK\$ mil)	For the year ending 31 March		
			2008 (HK\$ mil)	2009 (HK\$ mil)	2010 (HK\$ mil)
1. Kimberly-Mayer Master Agreement	23.4	15.6	149.76	224.64	336.96
2. Mayer-FG (Holdings) Master Agreement	34.32	21.84	187.2	280.8	421.2
3. VC (Holdings)-FG (Holdings) Master Agreement	4.0	0.24	5.0	6.0	8.0
4. Xinhui-FG (Trading)-FG (Holdings) Master Agreement	134.0	34.0	392.2	569.8	836.2
5. Xinhui-FG (Holdings) Master Processing Agreement	4.0	1.5	8.0	12.0	18.0
6. FG (Holdings) –Xinhui Master Agreement	20.0	7.5	50.4	75.6	113.4

LETTER FROM CIMB-GK

We note that of the Master Agreements, Kimberly-Mayer Master Agreement and Mayer-FG (Holdings) Master Agreement are inter-related as Mayer will place purchase orders with Kimberly based on the sales orders received by FG (Holdings) from its customers, and the expected annual cap of these two master agreements for the year ending 31 December 2008 has been determined by reference to:

- i) the historical amount of sales orders of the apparel products received by FG (Holdings) from its customers for the year ended 31 March 2007 and for the three months ended 30 June 2007;
- ii) the expected growth in demand for the apparel products from customers of FG (Holdings) for the year ending 31 March 2008. The growth in the expected annual caps for each of the two years ending 31 December 2010 are determined by reference to the expected annual expansion of up to approximately 50% of Kimberly's existing production capacity during these two years; and
- iii) the expected growth in the sales volume of the existing clients of Kimberly as well as from Kimberly's expanded clientele and the prevailing market prices of the apparel products.

As regards the Continuing Connected Transactions contemplated under other Master Agreements, the Directors have taken into account the following principal factors in determining the expected annual caps for the Continuing Connected Transactions contemplated under the other Master Agreements:

- i) the historical amount of sourcing of fabrics and accessories by the vendors from the independent suppliers for the purchases under the relevant Master Agreements during the year ended 31 March 2007 and for the three months ended 30 June 2007 (where there is such historical figure for reference);
- ii) the expected continuous growth in demand for the Group's apparel products, and hence the corresponding increase in demand for the sourcing of fabric products and related accessories, for the three years ending 31 March 2010 based on the latest increased indications as noted from the Group's customers for the Group's products as compared to the previous corresponding period;
- iii) the Group's intention to expand its production facilities to increase its overall production capacity which will lead to increase in the volume of the Continuing Connected Transactions; and
- iv) the prevailing market prices of the fabrics, accessories and garments involved under the Continuing Connected Transactions.

LETTER FROM CIMB-GK

We note that apart from the Continuing Connected Transactions contemplated under the Kimberly-Mayer Master Agreement, all of the other Continuing Connected Transactions contemplated under the other Master Agreements are entered into between non-wholly owned subsidiaries of the Group, i.e. are intra-group transactions.

We note the historical amount of the Continuing Connected Transactions contemplated under the Kimberly-Mayer Master Agreement and Mayer-FG (Holdings) Master Agreement for the three months ended 30 June 2007 increased significantly as compared with those for the year ended 31 March 2007. In light of the significant increase in some of the annual caps as compared to their respective historical amount, we have reviewed the financial performance of the Group in recent years and noted that the Group had achieved a compound annual growth rate of approximately 25.0% in its turnover for the last three years. We have also discussed the increase in the annual caps with the management of the Group and noted their beliefs in the continued growth in the Group's turnover. With the historical and expected growth in the Group's sales, the Directors expect that the volume of the Continuing Connected Transactions will also increase correspondingly. The Directors also advise that the Continuing Connected Transactions contemplated under the Kimberly-Mayer Master Agreement and Mayer-FG (Holdings) Master Agreement will further increase when Kimberly increases its business scale and expands its clientele. Given this, we consider it reasonable for the Directors to take account of the potential growth in Kimberly's business volume, as noted in the significant increase in the relevant historical transaction amount for the three months ended 30 June 2007 as compared to those for the year ended 31 March 2007, and the future expansion of its clientele, both of which will lead to the increase in the volume of the Continuing Connected Transactions under each of the Kimberly-Mayer Master Agreement and Mayer-FG (Holdings) Master Agreement.

We have also reviewed the Group's existing production capacity and also noted the Group's stated intent to increase its production capacity in the coming years to accommodate the expected increase in turnover. Given that all of the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, hence, it is natural that with the increase in the Group's turnover which represents the Group's sales in its ordinary and usual course of business, the volume of the Continuing Connected Transactions will also increase accordingly.

LETTER FROM CIMB-GK

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we consider that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and the terms thereof as well as the bases of and the proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Master Agreements and the proposed annual caps.

Yours faithfully,

For and on behalf of

CIMB-GK Securities (HK) Limited

Alex Lau

Executive Vice President

Flavia Hung

Senior Vice President

Pursuant to bye-law 66 of the bye-laws of the Company, a resolution put to the vote of any general meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders of the Company present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting;
or
- (iv) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (v) if required by the Listing Rules, by the chairman of such meeting and/or the Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent (5%) or more of the total voting rights of all Shareholders having right to vote at such meeting.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>40,000,000,000</u> Shares	<u>400,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>	
<u>658,981,899</u> Shares in issue as at the Latest Practicable Date	<u>6,589,818.99</u>

3. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors 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/ the name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares (Note 1)	% of the relevant class of issued share capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	100,640,000 Shares (L) (Note 2)	–	15.3%
	The Company	Beneficial owner	9,160,000 Shares (L)	–	1.4%
	The Company	Beneficial owner	–	1,500,000 Shares (L) (Note 4)	0.2%
	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%

Name of Director	The Company/ the name of associated corporation	Capacity	Interest in shares <i>(Note 1)</i>	Interest in underlying shares <i>(Note 1)</i>	% of the relevant class of issued share capital of the Company/ associated corporation
Chen Tien Tui	The Company	Founder of a trust	100,640,000 Shares (L) <i>(Note 3)</i>	–	15.3%
	The Company	Beneficial owner	10,246,000 Shares (L)	–	1.6%
	The Company	Beneficial owner	–	1,500,000 Shares (L) <i>(Note 4)</i>	0.2%
	Victory City Company Limited <i>(Note 15)</i>	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited <i>(Note 15)</i>	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%

Name of Director	The Company/ the name of associated corporation	Capacity	Interest in shares <i>(Note 1)</i>	Interest in underlying shares <i>(Note 1)</i>	% of the relevant class of issued share capital of the Company/ associated corporation
Choi Lin Hung	The Company	Beneficial owner	3,228,000 Shares (L)	–	0.49%
	The Company	Beneficial owner	–	9,000,000 Shares (L) <i>(Note 5)</i>	1.4%
	Victory City Overseas Limited <i>(Note 15)</i>	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	–	21.2%
	Ford Glory Holdings Limited <i>(Note 15)</i>	Interest of controlled corporation	49 shares of US\$1.00 each (L) <i>(Note 6)</i>	–	49%
	CSG Apparel Inc. <i>(Note 15)</i>	Interest of controlled corporation	one common stock of CAD1.00 (L) <i>(Note 7)</i>	–	100%
	Ford Glory International Limited <i>(Note 15)</i>	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) <i>(Note 13)</i>	–	100%
	Glory Time Limited <i>(Note 15)</i>	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) <i>(Note 10)</i>	–	70%

Name of Director	The Company/ the name of associated corporation	Capacity	Interest in shares <i>(Note 1)</i>	Interest in underlying shares <i>(Note 1)</i>	% of the relevant class of issued share capital of the Company/ associated corporation
	Mayer Apparel Limited <i>(Notes 11 & 15)</i>	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L)	–	51%
	PT Victory Apparel Samarang <i>(Note 15)</i>	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) <i>(Note 9)</i>	–	100%
	Silver Success Limited <i>(Note 15)</i>	Interest of controlled corporation	90 ordinary shares of HK\$1.00 each (L) <i>(Note 10)</i>	–	90%
	Surefaith Limited <i>(Note 15)</i>	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) <i>(Note 13)</i>	–	100%
	Top Star Limited <i>(Note 15)</i>	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) <i>(Note 13)</i>	–	100%
	Top Value Inc. <i>(Note 15)</i>	Interest of controlled corporation	200 common shares of no par value (L) <i>(Note 12)</i>	–	100%

Name of Director	The Company/ the name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares (Note 1)	% of the relevant class of issued share capital of the Company/ associated corporation
	Value Plus (Macao Commercial Offshore) Limited (Note 15)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 14)	–	100%
	Victory Apparel Jordan Manufacturing Limited (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 13)	–	100%
	福之源貿易(上海) 有限公司 (Note 15)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 7)	–	100%
	Gojifashion Inc. (Note 16)	Interest of controlled corporation	100 common shares of no par value (L) (Note 12)	–	50%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	1.4%
So Kam Wah	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	1.4%

Name of Director	The Company/ the name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares (Note 1)	% of the relevant class of issued share capital of the Company/ associated corporation
Phaisalakani Vichai	The Company	Beneficial owner	208,000 Shares (L)	-	0.03%

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company or its associated corporations.
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.
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.
4. On 9 October 2003, each of Messrs. Li Ming Hung and 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.

On 7 June 2004, Li Ming Hung and 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.

5. On 23 May 2003, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted 1,500,000, 1,500,000 and 3,300,000 options respectively under the share option scheme of the Company to subscribe for 1,500,000 Shares, 1,500,000 Shares and 3,300,000 Shares respectively, exercisable at a price of HK\$2.35 per Share during a period from 27 May 2003 to 29 November 2011.

On 9 October 2003, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 3,500,000 Shares, 3,500,000 Shares and 1,700,000 Shares, respectively, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011.

On 7 June 2004, Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 4,000,000 Shares, 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.

6. These shares, representing 49% of the issued share capital of Ford Glory Holdings Limited, were held by Merlotte Enterprise Limited which is wholly owned by Mr. Choi Lin Hung.
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 Holdings Limited.
8. These shares were beneficially owned by Wealth Choice Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
9. These shares were beneficially owned by Surefaith Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
10. Silver Success Limited is 90% owned by Glory Time Limited which is in turn 70% owned by Ford Glory Holdings Limited.
11. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.
12. These common shares were beneficially owned by Ford Glory Holdings Limited.
13. These shares were beneficially owned by Ford Glory Holdings Limited.
14. This quota capital was beneficially owned by Ford Glory Holdings Limited.
15. These companies are subsidiaries of the Company.
16. This company is an associated corporation (within the meaning of Part XV of the SFO) of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest and 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 are 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.

- (b) (i) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group;

- (ii) none of the Directors was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries since 31 March 2007, the date to which the latest published audited consolidated accounts of the Group were made up; and
- (iii) none of the Directors had entered or was proposing to enter into a service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

4. DISCLOSEABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

(a) 5% of holdings

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as was known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Pearl Garden Pacific Limited	100,640,000 (L)	Beneficial owner (Note 2)	15.3%
Cornice Worldwide Limited	100,640,000 (L)	Interest of controlled corporation (Note 2)	15.3%
Madian Star Limited	100,640,000 (L)	Beneficial owner (Note 3)	15.3%
Yonice Limited	100,640,000 (L)	Interest of controlled corporation (Note 3)	15.3%
Trustcorp Limited	201,280,000 (L)	Trustee (Notes 2, 3 & 4)	30.5%
Newcorp Limited	201,280,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	30.5%
Newcorp Holdings Limited	201,280,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	30.5%

Name of person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
David Henry Christopher Hill	201,280,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	30.5%
David William Roberts	201,280,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	30.5%
Rebecca Ann Hill	201,280,000 (L)	Interest of spouse (Notes 2, 3, 4 & 5)	30.5%
Ho Yuen Mui, Shirley	111,300,000 (L)	Interest of spouse (Note 6)	16.9%
Or Kwai Ying	112,386,000 (L)	Interest of spouse (Note 7)	17%
Templeton Asset Management Limited	72,550,065 (L)	Investment manager	11%
Sansar Capital Special Opportunity Master Fund, LP	65,169,000 (L)	Beneficial owner (Note 8)	9.9%

Notes:

1. The letter "L" represents the person's interests in the Shares and 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 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 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 Limited which is in turn wholly owned by Newcorp Holdings Limited. Newcorp Holdings Limited is owned as to 35% by David Henry Christopher Hill, as to 35% by David William Roberts and as to 30% by Michael J. Kenney-Herbert.
5. Rebecca Ann Hill is the wife of David Henry Christopher Hill.
6. Ho Yuen Mui, Shirley is the wife of Li Ming Hung.
7. Or Kwai Ying is the wife of Chen Tien Tui.
8. These Shares were held by Sansar Capital Special Opportunity Master Fund, LP. To the best knowledge of the Company, Sansar Capital Management, LLC was interested in such Shares as investment manager.

(b) Substantial shareholders of the subsidiaries of the Company

As at the Latest Practicable Date, so far as was known to or can be ascertained after reasonable enquiry by the Directors, the following persons 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 person	Name of subsidiary	Total number and class of securities in issue	Approximate percentage of securities held
Merlotte Enterprise Limited	Ford Glory Holdings Limited	49 shares of US\$1.00 each (<i>Note</i>)	49%

Note: Merlotte Enterprise Limited, a company wholly owned by Choi Lin Hung, held 49% of the issued share capital of Ford Glory Holdings Limited.

(c) Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person who had an interest or short position in the shares and underlying shares in the Company (including interest in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was 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 any other members of the Group.

5. CONSENT AND EXPERT

CIMB-GK is a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

CIMB-GK 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 they respectively appear.

As at the Latest Practicable Date, CIMB-GK 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.

As at the Latest Practicable Date, CIMB-GK did not have any interest, direct or indirect, in any assets which since 31 March 2007, the date to which the latest published audited financial statements of the Company 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.

6. COMPETING BUSINESS

None of the Directors and their respective associates have an interest in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. GENERAL

- (a) The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited consolidated accounts of the Group were made up.
- (b) The secretary of the Company is Mr Lee Chung Shing, who is an associate member of the Chartered Institute of Management Accountants and an associate member of the Hong Kong Society of Accountants.
- (c) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, Hong Kong during normal business hours up to and including 24 October 2007 and at the SGM:

- (a) the letter of advice from CIMB-GK to the Independent Board Committee, the text of which is set out on pages 16 to 21 of this circular;
- (b) the written consent from the CIMB-GK referred to in paragraph 5 of this Appendix; and
- (c) the Master Agreements.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 539)

NOTICE IS HEREBY GIVEN that the special general meeting of Victory City International Holdings Limited (“Company”) will be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, Hong Kong at 10:00 a.m. on Wednesday, 24 October 2007 to transact the following special businesses:

ORDINARY RESOLUTIONS

1. **“THAT** the continuing connected transactions contemplated under the Kimberly-Mayer Master Agreement (as defined in the circular of the Company dated 4 October 2007 (“Circular”)) dated 1 April 2007 and entered into between 加美(清遠)制衣有限公司 (Kimberly (Qing Yuan) Garment Limited, being its unofficial English name) and Mayer Apparel Limited, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “A”, and the related expected annual caps (as set out in the Circular) be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the continuing connected transactions contemplated thereunder.”
2. **“THAT** the continuing connected transactions contemplated under the Mayer-FG (Holdings) Master Agreement (as defined in the circular of the Company dated 4 October 2007 (“Circular”)) dated 1 April 2007 and entered into between Mayer Apparel Limited and Ford Glory Holdings Limited, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “B”, and the related expected annual caps (as set out in the Circular) be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the continuing connected transactions contemplated thereunder.”
3. **“THAT** the continuing connected transactions contemplated under the VC (Holdings)-FG (Holdings) Master Agreement (as defined in the circular of the Company dated 4 October 2007 (“Circular”)) dated 1 April 2007 and entered into between Victory City Holdings Limited and Ford Glory Holdings Limited, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “C”, and the related expected annual caps (as set out in the Circular) be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all

* *for identification purposes only*

NOTICE OF SGM

such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the continuing connected transactions contemplated thereunder.”

4. “**THAT** the continuing connected transactions contemplated under the Xinhui-FG (Trading)-FG (Holdings) Master Agreement (as defined in the circular of the Company dated 4 October 2007 (“Circular”)) dated 1 April 2007 and entered into between 江門冠暉製衣有限公司 (Jiangmen V-Apparel Manufacturing Ltd., being its unofficial English name), Ford Glory International Limited and Ford Glory Holdings Limited, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “D”, and the related expected annual caps (as set out in the Circular) be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the continuing connected transactions contemplated thereunder.”
5. “**THAT** the continuing connected transactions contemplated under the Xinhui-FG (Holdings) Master Processing Agreement (as defined in the circular of the Company dated 4 October 2007 (“Circular”)) dated 1 April 2007 and entered into between 江門冠暉製衣有限公司 (Jiangmen V-Apparel Manufacturing Ltd., being its unofficial English name) and Ford Glory Holdings Limited, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “E”, and the related expected annual caps (as set out in the Circular) be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the continuing connected transactions contemplated thereunder.”
6. “**THAT** the continuing connected transactions contemplated under the FG (Holdings)-Xinhui Master Agreement (as defined in the circular of the Company dated 4 October 2007 (“Circular”)) dated 1 April 2007 and entered into between Ford Glory Holdings Limited and 江門冠暉製衣有限公司 (Jiangmen V-Apparel Manufacturing Ltd., being its unofficial English name), a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “F”, and the related expected annual caps (as set out in the Circular) be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the continuing connected transactions contemplated thereunder.”

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

Hong Kong, 4 October 2007

NOTICE OF SGM

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

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares and entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar, 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 a 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. The above resolutions will be voted on by way of poll. Mr. Choi Lin Hung, 加美(清遠)製衣有限公司 (Kimberly (Qing Yuan) Garment Limited), Ford Glory Holdings Limited and its subsidiaries and their associates (within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) will abstain from voting on the above resolutions.
6. As at the date of this notice, the board of directors of the Company comprises Mr Li Ming Hung, Mr Chen Tien Tui, Mr So Kam Wah, Mr Lee Yuen Chiu, Andy and Mr Choi Lin Hung as executive directors and Mr Kan Ka Hon, Mr Phaisalakani Vichai and Mr Kwok Sze Chi as independent non-executive directors.