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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)

**DISCLOSEABLE TRANSACTION:
DISPOSAL OF LANDED PROPERTIES**

- On 17 October 2007, the Company, through the Vendors, agreed to dispose of various landed properties in Hong Kong to the Purchaser at the Aggregate Purchase Price of HK\$238 million. The principal terms of the Disposals are set out in this announcement.
- The Disposals, when aggregated, constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.
- A circular containing, among other information, further details of the Disposals will be despatched to the Shareholders as soon as practicable.

The Board announces that on 17 October 2007, the Vendors entered into the Agreements with the Purchaser for the Disposals of the Properties by the Vendors to the Purchaser. The principal terms and conditions of the Disposals are set out below.

THE AGREEMENTS

1. Purchaser

Billion Development & Project Management Limited, a company incorporated in Hong Kong.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is principally engaged in property investment and the Purchaser and its ultimate beneficial owners are third parties independent of the Company, its subsidiaries and connected persons (as defined in the Listing Rules) of the Company. Save for the Disposals, the Group has not had any prior relationship with the Purchaser.

Save for the Disposals, the Group has not had any prior transactions with the Purchaser which requires to be aggregated pursuant to Rule 14.22 of the Listing Rules.

2. Vendor, property to be disposed of and purchase price

Vendor (and its principal activity)	Property to be disposed of	Purchase Price
Elite Sound (property holding)	Flat A on 3rd Floor, 4th Floor, Units A and B on 5th Floor and the lavatory adjacent to unit B on 5th Floor, Flats A and B on 9th Floor and 10th Floor, Lee Hang Industrial Building, 10 Cheung Yue Street, Kowloon, Hong Kong.	HK\$142,000,000
Ford Glory (trading of garment products)	Flat B on 3rd Floor, Lee Hang Industrial Building, 10 Cheung Yue Street, Kowloon, Hong Kong.	HK\$18,336,000
Grace Link (property holding)	1st Floor (including flat roof), Lee Hang Industrial Building, 10 Cheung Yue Street, Kowloon, Hong Kong.	HK\$38,000,000
Top Star (property holding)	Units A, B and C on 2nd Floor and Flat B on 6th Floor, Lee Hang Industrial Building, 10 Cheung Yue Street, Kowloon, Hong Kong.	HK\$39,664,000
	Aggregate Purchase Price:	HK\$238,000,000

Each of the Vendors is a subsidiary of the Company.

The Aggregate Purchase Price is to be paid by way of cashier order and/or solicitors' cheque, and its payment terms are as follows:

- (1) an aggregate initial deposit in the sum of HK\$14.042 million paid upon signing of the Agreements on 17 October 2007;
- (2) an aggregate further deposit in the sum of HK\$9.758 million shall be paid on or before the 15th day immediately following the Purchaser's receipt of the notification of the Vendors that all condition precedent have been fulfilled by the Vendors in accordance with the terms of the Agreements; and
- (3) HK\$214.2 million, representing the balance of the Aggregate Purchase Price, shall be paid on or before Completion.

As at the date of this announcement, the aggregate initial deposit in the sum of HK\$14.042 million is held by Vendors' solicitors as stakeholder for the Vendors. Pursuant to the Agreement, the aggregate initial deposit and further deposit in the sum of HK\$23.8 million shall be released to the Vendors upon the satisfaction or waiver of the condition precedent.

The Aggregate Purchase Price was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the prevailing market value of other industrial premises of comparable size and quality in the area where the Properties are located.

It is expected that the aggregate net proceeds from the Disposals, after deducting expenses including legal fees and agency commission in the sum of approximately HK\$3 million, which amounts to approximately HK\$235 million, will be used as general working capital of the Group.

The Properties are industrial premises and (where appropriate) are subject to existing tenancies.

3. Conditions precedent

The Agreements are conditional upon the Vendors' production to the Purchaser a sealed copy of order or judgment by the Lands Tribunal or the High Court of Hong Kong confirming that the IO has the actual or implied power whether under the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong) or otherwise, to acquire the IO Properties and to sell or dispose of the IO Properties at the respective Vendor's costs and expenses within six calendar months from the date of the Agreements provided that if a vendor and purchaser summons is taken out for the purpose of obtaining the order or judgment as aforesaid, the Purchaser shall join as a party to the proceedings and all costs and expenses (inclusive of all disbursements) reasonably incurred by the Purchaser in the said proceedings up to the sum of HK\$150,000 shall be borne by the Vendor and subject to taxation by the Court if the actual amount of such costs and expenses cannot be agreed, such costs and expenses shall be paid and settled by the Vendor upon Completion or within 15 days after taxation, whichever shall be the later. (For the avoidance of doubt, this condition precedent shall not be considered as satisfied if the power of the IO to acquire, sell or dispose of the IO Properties referred to in the order or judgment shall be conditional or subject to the concurrence or consent of any third parties other than the existing registered owner(s) of any unit(s)/floor(s) of the Lee Hang Industrial Building, the IO and/or the Purchaser.)

The Agreements are also conditional upon the completion of the sale and purchase of the IO Properties in accordance with the agreement for sale and purchase made between the IO and the Purchaser on the Completion Date.

The Purchaser may waive the condition precedent by notice in writing to the Vendors' solicitors at any time within six calendar months from the date of the Agreements.

Pursuant to the Agreements, each of the Vendors have agreed and undertaken to use its reasonable endeavors to procure the fulfillment of the condition precedent and the Purchaser shall at the costs and expenses of the Vendors provide all such reasonable assistance to the Vendors for fulfillment of the condition precedent if so requested by the Vendors.

Pursuant to the Agreements, the Vendors have further agreed and undertaken to inform the Purchaser forthwith upon satisfaction of the condition precedent and produce the sealed copy of the said court order or judgment to the Purchaser as soon as practicable. In the event that the condition precedent shall not have been fulfilled at or before 5:00 p.m. on or before a date falling six months from the Agreements or such later date as the parties may agree in writing, unless the condition is waived by the Purchaser, the Agreements shall lapse automatically and shall be of no further effect and neither party shall have any claim against the other or their respective solicitors save for antecedent breaches in which event:

- (a) the parties shall at their own costs and expenses enter into and cause to be registered at the Land Registry of Hong Kong a cancellation agreement to cancel the Agreements as aforesaid; and
- (b) upon the execution of the cancellation agreement as aforesaid, the initial deposit paid by the Purchaser shall be refunded to the Purchaser without interest, costs or compensation.

4. Special conditions

It is a condition of the Disposals that the Purchaser is to lease certain Properties to the Vendors on the terms as set out in the Agreements. Such leases are to commence from the day next following the Completion Date.

Certain Properties were subject to orders/notices issued by the Building Authority of Hong Kong as at the date of the Agreements. Pursuant to the relevant Agreement, the Vendor concerned has undertaken to complete the work required for the compliance with such orders/notices at its own costs and expenses on or before Completion and to produce proof of completion of such work to the Purchaser 14 days before Completion.

5. Completion

Subject to fulfillment or waiver of all the condition precedent to the Agreements, completion of the Disposals shall take place on or before the Completion Date, being the 60th day immediately following the date of the Purchaser's receipt of the sealed copy order referred to in the paragraph headed "Conditions precedent" above or such other date as the parties shall agree in writing as the date on which Completion shall take place.

If the Completion Date, or the date stipulated for payment of any moneys or performance of any obligations in the Agreement, shall fall on a day which is not a Business Day, the Completion Date or such date for payment or performance (as the case may be) shall automatically be postponed to the next Business Day.

REASONS FOR THE DISPOSALS

Units A and B of the 2nd Floor and Flat B of the 3rd Floor of Lee Hang Industrial Building of the Properties are held by the Group for self-occupation. The remaining Properties are held by the Group as investment properties. The Directors consider that the Disposals provide an opportunity for the Group to dispose of the Properties and provide working capital of the Group, after considering the present property market in Hong Kong.

The Directors (including the independent non-executive Directors) are of the view that the Disposals are on normal commercial terms that are fair and reasonable to and in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSALS

The Group's original cost of the Properties was approximately HK\$196 million. The difference between the Aggregate Purchase Price and such original cost of the Properties is approximately HK\$42 million. The Properties were revalued in compliance with HKAS 40 "Investment Property" and restated as HK\$237 million as at 31 March 2007. Therefore, the Group is to record a book gain of approximately HK\$1 million before related expenses upon Completion.

During the two years ended 31 March 2007, net rental income (being gross rental income less outgoings) attributable to the Properties amounted to approximately HK\$2.8 million and approximately HK\$5.8 million respectively.

GENERAL

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

The Disposals, when aggregated, constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing, among other information, further details of the Disposals will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, the Board comprises the following members:

Executive Directors:

Li Ming Hung (*Chairman*)
Chen Tien Tui (*Chief Executive Officer*)
So Kam Wah
Lee Yuen Chiu, Andy
Choi Lin Hung

Independent non-executive Directors:

Kan Ka Hon
Phaisalakani Vichai
Kwok Sze Chi

DEFINITIONS

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

“Aggregate Purchase Price”	HK\$238 million, being the aggregate amount that the Purchaser has to pay to the Vendors for the Properties under the Agreements
“Agreements”	collectively, four formal agreements for sale and purchase for the Disposals entered into between the relevant Vendors as vendor and the Purchaser as purchaser on 17 October 2007
“Board”	the board of Directors
“Business Day”	any day of the week when licensed banks in Hong Kong are opened for business in Hong Kong, excluding the following: (a) Saturdays and Sundays; (b) public holidays; and (c) gale warning days or black rainstorm warning days
“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange
“Completion”	the completion of the sale and purchase of the Properties in accordance with the terms of the Agreements
“Completion Date”	the 60th day immediately following the date of the Purchaser’s receipt of the sealed copy order referred to in the condition precedent to the Agreements or such other date as the parties shall agree in writing as the date on which Completion shall take place
“Directors”	the directors of the Company

“Disposals”	the disposal of the Properties by the Vendors to the Purchaser on and subject to the terms and conditions of the Agreements
“Elite Sound”	Elite Sound Investment Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Ford Glory”	Ford Glory International Limited, a company incorporated in Hong Kong and a non wholly owned subsidiary of the Company
“Grace Link”	Grace Link Enterprises Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IO”	The Incorporated Owner of Lee Hang Industrial Building
“IO Properties”	car parking spaces numbered 7 and 8 on the Ground Floor and the exterior wall of Lee Hang Industrial Building
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	collectively: <ul style="list-style-type: none"> (i) 1st Floor (including flat roof); (ii) Units A, B and C on 2nd Floor; (iii) Flat A on 3rd Floor; (iv) Flat B on 3rd Floor; (v) 4th Floor; (vi) Unit A and B on 5th Floor and the lavatory adjacent to Unit B on 5th Floor; (vii) Flat B on 6th Floor; (viii) Flat A and B on 9th Floor; and (ix) 10th Floor, <p style="text-align: center;">Lee Hang Industrial Building, 10 Cheung Yue Street, Kowloon, Hong Kong</p>

“Purchaser”	Billion Development & Project Management Limited, a company incorporated in Hong Kong
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Star”	Top Star Limited, a company incorporated in Hong Kong and a non wholly owned subsidiary of the Company
“Vendors”	collectively, Elite Sound, Grace Link, Top Star and Ford Glory
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 18 October 2007

* *for identification purposes only*