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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in Victory City International Holdings Limited, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

The Stock Exchange takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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

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



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A letter from the Board is set out on pages 3 to 9 of this circular. A letter from the Independent Board Committee is set out on page 10 of this circular. A letter from Taifook Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 16 of this circular.

A notice convening the SGM to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong at 10:00 a.m. on 3 December 2008 is set out on pages 28 to 29 of this circular. A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

14 November 2008

\* For identification purpose only

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## DEFINITIONS

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

“associates”	has the meaning as ascribed thereto under Rule 1.01 and Rule 14A.11(4) of the Listing Rules
“Bye-Laws”	the bye-laws of the Company
“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning as ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions between Nanjing Synergy and Xinhui Victory City pursuant to the New Master Supply Agreement
“Directors”	directors of the Company
“Former Master Supply Agreement”	the master sale and purchase agreement entered into between Nanjing Synergy and Xinhui Victory City on 9 September 2005 and which expired on 31 March 2008
“Group”	collectively, the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee comprising the three independent non-executive Directors established by the board of Directors for the purpose of advising the Independent Shareholders in relation to the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than Trustcorp Limited, Mr Li Ming Hung, Mr Chen Tien Tui and their respective associates
“Latest Practicable Date”	11 November 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Nanjing Synergy”	南京新一棉紡織印染有限公司 (Nanjing Synergy Textiles Limited) (being its unofficial English translation), a wholly foreign-owned enterprise established in the PRC
“New Master Supply Agreement”	the new master sale and purchase agreement dated 27 October 2008 and made between Nanjing Synergy and Xinhui Victory City
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be held on 3 December 2008 for the purpose of considering, and if thought fit, approving the Continuing Connected Transactions by the Independent Shareholders
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taifook Capital”	Taifook Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial advisers to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions
“Xinhui Victory City”	江門市新會區冠華針織廠有限公司 (Xinhui Victory City Co., Ltd.) (being its unofficial English translation), a wholly-owned subsidiary of the Company established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*For the purpose of this circular, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.87 to HK\$1.00.*

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## LETTER FROM THE BOARD

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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)

*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, New Territories  
Hong Kong

14 November 2008

*To the Shareholders*

Dear Sir or Madam,

## CONTINUING CONNECTED TRANSACTIONS

### 1. INTRODUCTION

As disclosed in the announcement and circular of the Company dated 9 September 2005 and 3 October 2005 respectively, on 9 September 2005, Xinhui Victory City, a wholly-owned subsidiary of the Company, entered into the Former Master Supply Agreement with Nanjing Synergy pursuant to which Nanjing Synergy has agreed to sell, and Xinhui Victory City has agreed to purchase, yarn during the term of the Former Master Supply Agreement, being 9 September 2005 to 31 March 2008.

The Former Master Supply Agreement expired on 31 March 2008 and shall be renewable upon further agreement by the parties (subject to compliance with the Listing Rules). From 1 April 2008 up to 27 October 2008 (being the date of the announcement of the Company), nil amounts have been incurred regarding the continuing connected transactions between Nanjing Synergy and Xinhui Victory City in relation to the supply of yarn.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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By the announcement of the Company dated 27 October 2008, it was announced that Xinhui Victory City entered into the New Master Supply Agreement with Nanjing Synergy pursuant to which Nanjing Synergy has agreed to sell, and Xinhui Victory City has agreed to purchase, yarn during the term of the New Master Supply Agreement.

Nanjing Synergy is, and was during the term of the Former Master Supply Agreement, a connected person of the Company under Chapter 14A of the Listing Rules. The continuing connected transactions as contemplated under the Former Master Supply Agreement were approved by the then independent shareholders at the special general meeting of the Company held on 20 October 2005.

The Continuing Connected Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Pursuant to Rules 14A.18 and 14A.35, the Continuing Connected Transactions are subject to the reporting and announcement requirements and the approval by the Independent Shareholders at the SGM.

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

## 2. CONTINUING CONNECTED TRANSACTIONS

### Terms of the New Master Supply Agreement

#### Date

27 October 2008

#### Parties

- (i) Nanjing Synergy, whose relationship with the Company is more particularly set out in the paragraph headed “Listing Rules implications” below; and
- (ii) Xinhui Victory City, a wholly-owned subsidiary of the Company

#### Supply of yarn

Pursuant to the New Master Supply Agreement, Nanjing Synergy has agreed to supply, and Xinhui Victory City has agreed to purchase, yarn for the fabric-dyeing and yarn-dyeing businesses of the Group. The actual amount, specifications and price will be subject to individual orders placed by Xinhui Victory City with Nanjing Synergy. In the event that there is any arrangement as to the payment of deposit or instalment payment of the purchase price, relevant details will be set out in such individual order upon agreement between the parties. The arrangement as to the payment of deposit or instalment payment, which could ensure a stable supply of yarn (both in terms of quantity and quality), is in line with the practice between the Group and other

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## LETTER FROM THE BOARD

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yarn suppliers and in the Group's ordinary usual course of business. The amount (whether it will be a percentage of the contract amount based on the relevant order or not), the timing for payment and settlement as well as the mode of payment of the deposits or instalment payment will be negotiated between Nanjing Synergy and Xinhui Victory City on a case by case basis. Unless otherwise agreed, such amount of deposit or instalment payment of the purchase price will not be more than 30% of the consideration for the relevant transaction and will be made according to each specific order placed to Nanjing Synergy.

Both Nanjing Synergy and Xinhui Victory City have covenanted that the supply of yarn under the New Master Supply Agreement will be on normal commercial terms and the prices payable by Xinhui Victory City to Nanjing Synergy for the purchase of yarn will be agreed between the parties by reference to the prevailing market prices of yarn at the relevant time. Nanjing Synergy has undertaken that it will sell yarn to Xinhui Victory City pursuant to the New Master Supply Agreement on terms and conditions not less favourable than it will sell to its independent customers. Pursuant to the New Master Supply Agreement, Nanjing Synergy has granted a credit period of at least 60 days to Xinhui Victory City to make payment of the purchase price (or the remaining balance of the purchase price if a deposit has been paid). It is expected that Xinhui Victory City will make payment of the purchase price by telegraphic transfers under most circumstances.

### **Term**

From 27 October 2008 to 31 March 2011 renewable upon further agreement by the parties (subject to compliance with the Listing Rules).

### **Historical figures and caps for the Continuing Connected Transactions**

The following table sets out the sales amounts of yarn from Nanjing Synergy to Xinhui Victory City during each of three financial years ended 31 March 2008:

	<b>For the financial year ended 31 March 2006</b>	<b>For the financial year ended 31 March 2007</b>	<b>For the financial year ended 31 March 2008</b>
<b>Sales amounts</b>	HK\$65,711,000	HK\$167,644,000	HK\$329,642,000

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## LETTER FROM THE BOARD

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The following table sets out the past annual cap amounts of sales of yarn from Nanjing Synergy to Xinhui Victory City for each of the three years ended 31 March 2008:

	<b>For the period from the date of the Former Master Supply Agreement up to 31 March 2006</b>	<b>For the financial year ended 31 March 2007</b>	<b>For the financial year ended 31 March 2008</b>
<b>Past annual cap amounts</b>	HK\$124,808,000	HK\$471,058,000	HK\$508,654,000

### **Proposed new caps**

The following table sets out the expected annual cap amounts of sales of yarn from Nanjing Synergy to Xinhui Victory City for each of the period from the date of the New Master Supply Agreement up to 31 March 2009 and the two years ending 31 March 2011:

	<b>For the period from the date of the New Master Supply Agreement up to 31 March 2009</b>	<b>For the financial year ending 31 March 2010</b>	<b>For the financial year ending 31 March 2011</b>
<b>Expected annual cap amounts</b>	RMB210,000,000 (equivalent to approximately HK\$241,380,000)	RMB420,000,000 (equivalent to approximately HK\$482,760,000)	RMB420,000,000 (equivalent to approximately HK\$482,760,000)

### **Basis for the proposed new caps**

The aforesaid caps are determined by reference to the historical amounts of sales of yarn from Nanjing Synergy to Xinhui Victory City as shown above, taking into account the anticipated growth in the demand of yarn by the Group in its fabric-dyeing and yarn-dyeing businesses for the three years ending 31 March 2011 and the annual maximum production capacity of Nanjing Synergy assuming that Xinhui Victory City will fully purchase the yarn produced by Nanjing Synergy. In order to maintain a consistent supply and ascertain the good quality of yarn for the Group's growing fabric-dyeing and yarn-dyeing businesses, the Company considers that it will be in the interest of the Group and the Shareholders as a whole to increase its purchase of yarn from Nanjing Synergy.



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## LETTER FROM THE BOARD

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### **Reasons for the Continuing Connected Transactions**

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. Xinhui Victory City is principally engaged in the business of knitting, dyeing and finishing of fabric.

Nanjing Synergy is principally engaged in the manufacture and sale of yarn and is a supplier of yarn of the Group for its fabric-dyeing and yarn-dyeing businesses.

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

Due to the expiry of the Former Master Supply Agreement, there were no continuing connected transactions regarding the supply of yarn between Nanjing Synergy and Xinhui Victory City from 1 April 2008 to 27 October 2008 (being the date of the announcement of the Company). Since Xinhui Victory City and Nanjing Synergy have established long business relationship with each other, the Directors have confidence in the co-operation with and the quality of yarn supplied by Nanjing Synergy. The Directors consider that the supply of yarn by Nanjing Synergy is more stable and of a higher quality than that of the other yarn suppliers and Nanjing Synergy provides a large variety of yarn count which offers more flexibility to the Group. Upon discussion and negotiation with Nanjing Synergy, the Group has decided to reactivate the continuing connected transactions regarding the supply of yarn between Nanjing Synergy and Xinhui Victory City. Pursuant to the New Master Supply Agreement, the Group has confidence in ensuring a stable supply of yarn (both in terms of quantity and quality). The Directors consider that the terms and conditions of the New Master Supply Agreement (including the arrangement as to the payment of deposit or instalment payment) were negotiated between Xinhui Victory City and Nanjing Synergy on an arm's length basis and are normal commercial terms that are fair and reasonable. The Directors also consider that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

### **Listing Rules implications**

Nanjing Synergy is indirectly wholly-owned by Trustcorp Limited, a substantial Shareholder. Trustcorp Limited is holding Nanjing Synergy as to 50% as discretionary trustee for the family members of Mr Li Ming Hung, a Director, and as to 50% as discretionary trustee for the family members of Mr Chen Tien Tui, a Director. Accordingly, Nanjing Synergy is an associate of Trustcorp Limited, Mr Li Ming Hung and Mr Chen Tien Tui and a connected person of the Company under Chapter 14A of the Listing Rules. Given that the applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) will be more than 2.5% and the expected annual cap amounts for the period from the date of the New Master Supply Agreement up to 31 March 2009 and the two years ending 31 March 2011 will exceed HK\$10 million, the supply of yarn as contemplated under the New Master Supply Agreement will constitute non-exempt Continuing Connected Transactions for the Company and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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Trustcorp Limited, Mr. Li Ming Hung and Mr. Chen Tien Tui have a material interest in the Continuing Connected Transactions. Trustcorp Limited, Mr Li Ming Hung and Mr Chen Tien Tui, who currently hold 222,504,000, 120,412,000 and 121,526,000 shares of the Company respectively (representing approximately 32.55%, 17.61% and 17.78% of the issued share capital of the Company respectively as at the Latest Practicable Date), and their respective associates will abstain from voting in respect of the ordinary resolution to be proposed to approve the Continuing Connected Transactions to be taken by poll at the SGM.

### 3. SGM

The Company will convene a SGM to be held at 10:00 a.m. on 3 December 2008 at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong to consider the Continuing Connected Transactions. A notice of the SGM is set out on pages 28 to 29 of this circular. Trustcorp Limited, Mr Li Ming Hung, Mr Chen Tien Tui and their respective associates will abstain from voting in respect of the ordinary resolution proposed to approve the Continuing Connected Transactions at the SGM.

A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

### 4. POLL PROCEDURES

Pursuant to bye-law 66 of the Bye-Laws, a resolution put to the vote of any general meeting shall be decided on a show of hands unless 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.

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## LETTER FROM THE BOARD

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

### 5. RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr Kan Ka Hon, Mr Phaisalakani Vichai and Mr Kwok Sze Chi, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Continuing Connected Transactions. Your attention is drawn to the advice of the Independent Board Committee set out in its letter set out on page 10 of this circular. Your attention is also drawn to the letter of advice from Taifook Capital to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the relevant annual caps set out on page 11 to page 16 in this circular.

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

### 6. ADDITIONAL INFORMATION

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

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

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

14 November 2008

*To the Independent Shareholders*

Dear Sir or Madam,

**Continuing Connected Transactions**

We refer to the circular issued by the Company to the Shareholders and dated 14 November 2008 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transactions contemplated under the New Master Supply Agreement between Xinhui Victory City and Nanjing Synergy constitute Continuing Connected Transactions for the Company and is thus subject to the approval of the Independent Shareholders at the SGM.

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

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

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Kan Ka Hon**

**Phaisalakani Vichai**

**Kwok Sze Chi**

*Independent non-executive Directors*

\* *For identification purpose only*

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## LETTER FROM TAIFOOK CAPITAL LIMITED

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*The following is the letter of advice from Taifook Capital Limited to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.*



25th Floor  
New World Tower  
16-18 Queen's Road Central  
Hong Kong

14 November 2008

*To the Independent Board Committee and the Independent Shareholders*

Victory City International Holdings Limited

Unit D, 3rd Floor

Winfield Industrial Building

3 Kin Kwan Street

Tuen Mun

New Territories

Hong Kong

*Dear Sirs,*

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the proposed continuing connected transactions (the "Proposed Continuing Connected Transactions") contemplated under the New Master Supply Agreement entered into between Xinhui Victory City and Nanjing Synergy, and the proposed annual caps (the "Proposed Annual Caps") for the Proposed Continuing Connected Transactions for the period from 27 October 2008 up to 31 March 2009 and the two financial years ending 31 March 2011, details of which are set out in the letter (the "Letter") from the board of Directors contained in the circular of the Company dated 14 November 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

As set out in the Letter, Nanjing Synergy is indirectly wholly owned by Trustcorp Limited, a substantial shareholder of the Company. Trustcorp Limited is holding Nanjing Synergy as to 50% as discretionary trustee for the family members of Mr. Li Ming Hung, a Director, and as to 50% as discretionary trustee for the family members of Mr. Chen Tien Tui, a Director. Accordingly, Nanjing Synergy is an associate of Trustcorp Limited, Mr. Li Ming Hung and Mr. Chen Tien Tui and a connected person of the Company under Chapter 14A of the Listing Rules and therefore, the Proposed Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the applicable percentage ratios (as prescribed under Chapter

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## LETTER FROM TAIFOOK CAPITAL LIMITED

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14 of the Listing Rules) will be more than 2.5% and the expected annual cap amounts for the period from 27 October 2008 up to 31 March 2009 and the two financial years ending 31 March 2011 will exceed HK\$10 million, the transactions contemplated under the New Master Supply Agreement will constitute non-exempt continuing connected transactions for the Company and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Trustcorp Limited, Mr. Li Ming Hung and Mr. Chen Tien Tui have a material interest in the Proposed Continuing Connected Transactions. Trustcorp Limited, Mr. Li Ming Hung and Mr. Chen Tien Tui, who currently holds 222,504,000, 120,412,000 and 121,526,000 shares in the Company respectively (representing approximately 32.55%, 17.61% and 17.78% of the issued share capital of the Company respectively as at the Latest Practicable Date) and their respective associates will abstain from voting in respect of the ordinary resolution to be proposed to approve the Proposed Continuing Connected Transactions to be taken by poll at the SGM.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, has been established to advise the Independent Shareholders in respect of the Proposed Continuing Connected Transactions and the Proposed Annual Caps. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to whether the Proposed Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Group and the Shareholders as a whole and whether the terms of the Proposed Continuing Connected Transactions (including the Proposed Annual Caps) are fair and reasonable.

### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Group including the New Master Supply Agreement, the annual report of the Company for the financial year ended 31 March 2008 (the "2008 Annual Report"), the circular of the Company dated 3 October 2005 and the Circular.

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## LETTER FROM TAIFOOK CAPITAL LIMITED

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We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the Proposed Continuing Connected Transactions (including the Proposed Annual Caps), and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Group, Xinhui Victory City, Nanjing Synergy, and each of their respective subsidiaries or associates, and the parties involved in the Proposed Continuing Connected Transactions.

### RENEWAL OF THE PROPOSED CONTINUING CONNECTED TRANSACTIONS

In arriving at our opinion in respect of the Proposed Continuing Connected Transactions (including the Proposed Annual Caps), we have considered the following principal factors:

#### **1. Background and reasons for entering into of the New Master Supply Agreement**

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. Xinhui Victory City is principally engaged in the business of knitting, dyeing and finishing of fabric. Nanjing Synergy is principally engaged in the manufacture and sale of yarn and is a supplier of yarn of the Group for its fabric-dyeing and yarn-dyeing businesses.

We noted that the Group has been purchasing yarn from Nanjing Synergy for its fabric-dyeing and yarn-dyeing businesses since 2003. As advised by the Directors, for each of the three financial years ended 31 March 2008, the purchases of yarn from Nanjing Synergy were conducted in the ordinary and usual course of business of the Group, on normal commercial terms and in accordance with the Former Master Supply Agreement on terms that were fair and reasonable and in the interests of the Shareholders as a whole. For each of the three financial year ended 31 March 2008, Xinhui Victory City has purchased yarn from Nanjing Synergy of approximately HK\$65,711,000, HK\$167,644,000 and HK\$329,642,000 respectively, representing approximately 5.9%, 10.4% and 19.4% of the total purchases of yarn of the Group in the relevant financial years respectively. The Former Master Supply Agreement expired on 31 March 2008 and accordingly there were no continuing connected transactions regarding the supply of yarn between Nanjing Synergy and Xinhui Victory City from 1 April 2008 to the Latest Practicable Date. Given the fact that (1) the terms of the of the New Master Supply Agreement are fair and reasonable so far as the Group and the Shareholders as a whole as explained below; (2) the Group has established long business relationship with Nanjing Synergy which enhances the Group to enjoy a stable supply of higher quality yarn by Nanjing Synergy; and (3) Nanjing Synergy provides a large variety of yarn supply than other yarn suppliers which allow the Group to enjoy more flexibility, we concur with the view of Directors that entering into of the New Master Supply Agreement can continue to secure stable supply of yarn (both in terms of quantity and quality) and therefore, is in the interests of the Group and its Shareholders as a whole.

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## LETTER FROM TAIFOOK CAPITAL LIMITED

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### 2. Nature and terms of the Proposed Continuing Connected Transactions

Pursuant to the New Master Supply Agreement, Nanjing Synergy has agreed to supply, and Xinhui Victory City has agreed to purchase, yarn for the fabric-dyeing and yarn-dyeing businesses of the Group. Similar to the past arrangements, the actual amount, specifications and price will be subject to individual orders placed by Xinhui Victory City with Nanjing Synergy. In the event that there is any arrangement as to the payment of deposit or instalment payment of the total purchase cost, relevant details will be set out in such individual order to be agreed between Xinhui Victory City and Nanjing Synergy. The amount (whether it will be a percentage of the total purchase cost based on the relevant order or not), the timing for payment and settlement as well as the mode of payment of the deposits or instalment payment will be negotiated between Nanjing Synergy and Xinhui Victory City on a case by case basis.

The principal terms of the New Master Agreement are set out below:

#### A. *Pricing*

Both Nanjing Synergy and Xinhui Victory City have covenanted that the purchases of yarn under the New Master Supply Agreement will be on normal commercial terms and the prices payable by Xinhui Victory City to Nanjing Synergy for the purchase of yarn will be agreed between them by reference to the prevailing market prices of yarn at the relevant time.

#### B. *Payment terms and credit period*

Pursuant to the New Master Supply Agreement, the amount of deposit or instalment payment of the total purchase cost, unless otherwise agreed between Nanjing Synergy and Xinhui Victory City, will not be more than 30% of the consideration for the relevant transaction and will be made according to each specific order placed to Nanjing Synergy. In addition, Nanjing Synergy has granted a credit period of at least 60 days to Xinhui Victory City to make payment of the total purchase cost (or the remaining balance of the total purchase cost if a deposit has been paid).

#### *Basis of our consideration*

We noted from the New Master Supply Agreement that Nanjing Synergy has undertaken that it will sell yarn to Xinhui Victory City pursuant to the New Master Supply Agreement on terms and conditions no less favourable than it will sell to its independent customers. We have reviewed the terms and conditions under the New Master Supply Agreement and compared these terms with those under the Former Master Supply Agreement. We noted that save as arrangements as to the payment of deposit or instalment payment, the terms and conditions under the New Master Supply Agreement are substantially the same as those stipulated under the Former Master Supply Agreement.



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## LETTER FROM TAIFOOK CAPITAL LIMITED

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We have obtained from the Company sample purchase invoices from Nanjing Synergy and other independent suppliers and concluded that the purchase price of similar yarn charged by Nanjing Synergy were comparable with those charged by the Independent Third Parties in the relevant period. With regard to the payment and credit terms, we also noted from the sample purchase invoices from Nanjing Synergy and other independent suppliers that deposit or instalment payment arrangements of not more than 30% of the consideration for the relevant purchases and the credit period of at least 60 days granted to Xinhui Victory City by Nanjing Synergy were comparable with those terms granted to the Independent Third Parties.

Accordingly, we consider that the price and other terms of the purchase of yarn were (1) agreed between Xinhui Victory City and Nanjing Synergy by reference to the prevailing market prices of yarn at the relevant time in the past; (2) conducted on terms and conditions no less favourable than the Group's purchases from its other independent suppliers; and (3) in line with the practice between the Group and other yarn suppliers and in the Group's ordinary and usual course of business. Having considered the above factors, we consider that the terms of the New Master Supply Agreement are negotiated on normal commercial terms and are fair and reasonable so far as the Group and the Independent Shareholders as a whole.

### 3. Proposed Annual Caps

Set out below are the Proposed Annual Caps under the New Master Supply Agreement for the period from the 27 October 2008 up to 31 March 2009 and the two financial years ending 31 March 2011:

	<b>For the period from 27 October 2008 up to 31 March 2009 RMB</b>	<b>For the financial year ending 31 March 2010                      2011 RMB                      RMB</b>	
Amounts of the Proposed Annual Caps	RMB210 million (equivalent to approximately HK\$241.4 million)	RMB420 million (equivalent to approximately HK\$482.8 million)	RMB420 million (equivalent to approximately HK\$482.8 million)

The Proposed Annual Caps as stipulated under the New Master Supply Agreement are set at amounts higher than the historical amounts and are determined by the Directors by (1) making reference to the historical amounts of Xinhui Victory City's purchase of yarn from Nanjing Synergy as shown above; (2) taking into account the anticipated growth in the demand of yarn by the Group in its fabric-dyeing and yarn-dyeing businesses for the period from the 27 October 2008 up to 31 March 2009 and for the two financial years ending 31 March 2011; and (3) the annual estimated maximum production capacity of Nanjing Synergy assuming that Xinhui Victory City will fully purchase the yarn produced by Nanjing Synergy.

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## LETTER FROM TAIFOOK CAPITAL LIMITED

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### *Basis of our consideration*

To assess whether the amounts of the Proposed Annual Caps are fair and reasonable for the period from the 27 October 2008 up to 31 March 2009 and for the two financial years ending 31 March 2011, we have reviewed the historical amounts of Xinhui Victory City's purchases of yarn from Nanjing Synergy and noted that the Group increased its purchases from Nanjing Synergy by approximately 155% and 97% respectively in each of the financial year ended 2007 and 2008. We have discussed with the management of the Group on the anticipated growth in the demand of yarn by the Group in its fabric-dyeing and yarn-dyeing businesses and the respective underlying assumptions and understood that the Xinhui Victory City is expected to make more purchases of yarn for the period from 27 October 2008 up to 31 March 2009 and the two financial years ending 31 March 2011. As advised by the management of the Group, Nanjing Synergy has just completed its expansion and upgrading of its production facilities in early 2008. Therefore, the Proposed Annual Caps of HK\$482.8 million for the two financial years ending 31 March 2011 are approximately 46% higher than the historical purchased amount of approximately HK\$329.6 million for the financial year ended 31 March 2008. Assuming Nanjing Synergy is operated in full production capacity, more yarn could be manufactured. Accordingly, more purchases are expected to be placed by Xinhui Victory City to Nanjing Synergy with reference to the expected annual maximum production capacity of Nanjing Synergy.

Having considered the above reasons, we consider that the amounts of Proposed Annual Caps for the period from 27 October 2008 up to 31 March 2009 and two financial years ending 31 March 2011 are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

### RECOMMENDATION

Having considered the terms of and reasons for the entering into of the New Master Supply Agreement and the bases and assumptions adopted in arriving at the Proposed Annual Caps, we are of the view that the terms of the New Master Supply Agreement and the Proposed Continuing Connected Transactions (including the Proposed Annual Caps) contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and the Proposed Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, and 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 entering into of the New Master Supply Agreement, the Proposed Continuing Connected Transactions (including the Proposed Annual Caps) contemplated thereunder.

Yours faithfully,

For and on behalf of

**Taifook Capital Limited**

**Derek C.O. Chan**  
*Managing Director*

**Terry Chu**  
*Director*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

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

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	111,252,000 ordinary shares of HK\$0.01 each of the Company ("Shares") (L) (Note 2)	-	16.3%
	The Company	Beneficial owner	9,160,000 Shares (L)	-	1.3%
	The Company	Beneficial owner	-	1,500,000 Shares (L) (Note 4)	0.2%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
	Victory City 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%
Chen Tien Tui	The Company	Founder of a trust	111,252,000 Shares (L) (Note 3)	–	16.3%
	The Company	Beneficial owner	10,274,000 Shares (L)	–	1.5%
	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/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
Choi Lin Hung	The Company	Beneficial owner	3,320,000 Shares (L)	–	0.49%
	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	1.3%
	Victory City Overseas Limited (Note 15)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	–	21.2%
	Ford Glory Holdings Limited (Note 15)	Interest of controlled corporation	49 ordinary shares of US\$1.00 each (L) (Note 6)	–	49%
	CSG Apparel Inc. (Note 15)	Interest of controlled corporation	one common stock of CAD1.00 (L) (Note 7)	–	100%
	Ford Glory International Limited (Note 15)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 12)	–	100%
	Glory Time Limited (Note 15)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 13)	–	70%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
	Mayer Apparel Limited (Note 15)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 10)	–	51%
	PT Victory Apparel Semarang (Note 15)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) (Note 9)	–	100%
	Surefaith Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 12)	–	100%
	Top Star Limited (Note 15)	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) (Note 12)	–	100%
	Top Value Inc. (Note 15)	Interest of controlled corporation	200 common shares of no par value (L) (Note 11)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 15)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 14)	–	100%
	Victory Apparel Jordan Manufacturing Ltd. (Note 15)	Interest of controlled corporation	50,000 ordinary shares of JD\$1.00 each (L) (Note 8)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
	Wealth Choice Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 12)	-	100%
	福之源貿易(上海) 有限公司 (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 11)	-	50%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	-	9,000,000 Shares (L) (Note 5)	1.3%
So Kam Wah	The Company	Beneficial owner	-	9,000,000 Shares (L) (Note 5)	1.3%
Phaisalakani Vichai	The Company	Beneficial owner	240,000 Shares (L)	-	0.04%

## 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 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 capital of which is held by Trustcorp Limited as discretionary trustee for Chen Tien Tui's family.

4. On 9 October 2003, each of 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, 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, 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 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 Holding Limited.
9. These shares were beneficially owned by Surefaith Limited which is a wholly-owned subsidiary of Ford Glory Holdings Limited.
10. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.
11. These common shares were beneficially owned by Ford Glory Holdings Limited.
12. These shares were beneficially owned by Ford Glory Holdings Limited.
13. Glory Time Limited is 70% 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 herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

### 3. SUBSTANTIAL SHAREHOLDERS

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

Name of Person	Number of Shares <i>(Note 1)</i>	Capacity	Approximate percentage of interest
Pearl Garden Pacific Limited	111,252,000 (L)	Beneficial owner <i>(Note 2)</i>	16.27%
Cornice Worldwide Limited	111,252,000 (L)	Interest of controlled corporation <i>(Note 2)</i>	16.27%
Madian Star Limited	111,252,000 (L)	Beneficial owner <i>(Note 3)</i>	16.27%
Yonice Limited	111,252,000 (L)	Interest of controlled corporation <i>(Note 3)</i>	16.27%
Trustcorp Limited	222,504,000 (L)	Trustee <i>(Notes 2, 3 and 4)</i>	32.55%
Newcorp Limited	222,504,000 (L)	Interest of controlled corporation <i>(Notes 2, 3 and 4)</i>	32.55%
Newcorp Holdings Limited	222,504,000 (L)	Interest of controlled corporation <i>(Notes 2, 3 and 4)</i>	32.55%

Name of Person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
David Henry Christopher Hill	222,504,000 (L)	Interest of controlled corporation (Notes 2, 3 and 4)	32.55%
David William Roberts	222,504,000 (L)	Interest of controlled corporation (Notes 2, 3 and 4)	32.55%
Rebecca Ann Hill	222,504,000 (L)	Interest of spouse (Notes 2, 3, 4 and 5)	32.55%
Ho Yuen Mui, Shirley	121,912,000 (L)	Interest of spouse (Note 6)	17.83%
Or Kwai Ying	123,026,000 (L)	Interest of spouse (Note 7)	17.99%
Templeton Asset Management Limited	88,212,381 (L)	Investment manager	12.90%
Sansar Capital Special Opportunity Master Fund, LP	65,169,000 (L)	Beneficial owner (Note 8)	9.53%

*Notes:*

1. The letter "L" represents the person's interests in the Shares and/or the underlying Shares.
2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Li Ming Hung's family. 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. 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.

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

#### 4. SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBERS OF THE GROUP

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

Name of subsidiary	Name of shareholder	No. of securities held/ amount of registered capital owned	Approximate percentage shareholdings
Ford Glory Holdings Ltd.	Merlotte Enterprise Ltd.	49 ordinary shares	49%
Glory Time Limited	Doncan Limited	30 ordinary shares	30%
江門冠暉制衣有限公司	Lau Fat Chuen	HK\$12 million	40%
江門市冠達紡織材料有限公司	江門市展邦投資有限公司	RMB10 million	40%
Mayer Apparel Limited	Lau Kwok Wa Stanley	49 ordinary shares	49%

#### 5. SERVICE AGREEMENTS

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

**6. MATERIAL CHANGES**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date to which the latest published audited financial statements of the Group were made up.

**7. COMPETING INTEREST**

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

**8. INTEREST IN CONTRACTS AND ASSETS**

Save as disclosed herein, in particular the New Master Supply Agreement, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 31 March 2008, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

**9. QUALIFICATION AND CONSENT OF EXPERT**

Taifook Capital is a corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activities.

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

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

Taifook Capital did not have any interest, direct or indirect, in any assets which since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong during normal business hours from the date of this circular up to and including 3 December 2008:

- (a) the Former Master Supply Agreement;
- (b) the New Master Supply Agreement;
- (c) the letter from Taifook Capital, the full text of which is set out on pages 11 to 16 of this circular; and
- (d) the letter of consent referred to in paragraph 9 of this appendix.

**11. MISCELLANEOUS**

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

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NOTICE OF SGM

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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)

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a 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, New Territories, Hong Kong on 3 December 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution which will be proposed as an ordinary resolution:

1. “**THAT** the new master supply agreement (“**New Master Supply Agreement**”) dated 27 October 2008 (a copy of which will be produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and entered into between 江門市新會區冠華針織廠有限公司 (Xinhui Victory City Co., Ltd.) and 南京新一棉紡織印染有限公司 (Nanjing Synergy Textiles Limited) and the transactions contemplated thereby; and the relevant expected annual capped amounts of the transactions contemplated under the New Master Supply Agreement for the period from the date of the New Master Supply Agreement to 31 March 2009 and the two years ending 31 March 2011 as shown in the Company’s circular dated 14 November 2008 be and the same are hereby approved and that any directors of the Company be and is hereby authorised to take any step as they consider necessary, desirable or expedient in connection with the New Master Supply Agreement or any of the transactions contemplated thereby.”

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

Hong Kong, 14 November 2008

\* *For identification purpose only*

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## NOTICE OF SGM

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*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 A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
- 2 To be valid, the form of proxy and/or a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time of the meeting or any adjourned meeting.
- 3 Delivery of an instrument appointing a proxy should not preclude member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- 4 In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- 5 As at the date of this notice, the board of directors of the Company comprises Mr Li Ming Hung, Mr Chen Tien Tui, Mr 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.