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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)

**PROPOSED RIGHTS ISSUE OF NOT LESS THAN 341,831,666 RIGHTS
SHARES AND NOT MORE THAN 342,831,666 RIGHTS SHARES OF
HK\$0.01 EACH AT HK\$0.439 PER RIGHTS SHARE PAYABLE IN FULL ON
ACCEPTANCE (IN THE PROPORTION OF 1 RIGHTS SHARE FOR
EVERY 2 EXISTING SHARES HELD ON THE RECORD DATE);
AND
RESUMPTION OF TRADING**

Financial adviser and Underwriter to the Rights Issue



CIMB-GK Securities (HK) Limited

PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$150.4 million to approximately HK\$150.8 million before expenses by issuing not less than 341,831,666 Rights Shares (assuming no Outstanding Options will be exercised on or before the Record Date) and not more than 342,831,666 Rights Shares (assuming not more than 2,000,000 Outstanding Options are exercised on or before the Record Date) at the Subscription Price of HK\$0.439 per Rights Share on the basis of 1 Rights Share for every 2 existing Shares in issue on the Record Date. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company.

* *For identification purpose only*

Based on the 341,831,666 Rights Shares proposed to be issued (assuming no Outstanding Options will be exercised on or before the Record Date), the net proceeds from the Rights Issue is currently expected to be approximately HK\$147 million, which will be retained as general working capital of the Group.

The Committed Shareholders have irrevocably undertaken to the Company and the Underwriter, among other matters, that: (i) their Shares will remain registered in the same names or be registered in the name of their nominees until the close of business on the Record Date and will continue to have registered addresses in Hong Kong; (ii) they will subscribe or procure subscription in full for their entitlements under the Rights Issue pursuant to the terms of the Rights Issue and lodge with the Company acceptance in respect of all the Rights Shares provisionally allotted to them or their nominee(s), with payment in full; and (iii) they will not and will procure that companies controlled by them will not, during the period from immediately after the execution of the Underwriting Agreement and prior to or on the date the Underwriting Agreement becoming unconditional, dispose of or transfer the beneficial interests in any of the Shares beneficially owned by them.

The Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by the Committed Shareholders pursuant to their respective Irrevocable Undertakings. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “Underwriting Arrangements for the Rights Issue” in this announcement.

The Rights Issue is conditional upon the fulfillment or waiver of the conditions set out below under the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this announcement. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms (see the paragraph below headed “Termination of the Underwriting Agreement” under the section headed “Underwriting Arrangements for the Rights Issue” in this announcement).

If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled or waived (where appropriate), the Rights Issue will not proceed.

The last day of dealings in the Shares on the Stock Exchange on a cum-rights basis will be 16 December 2008. The Shares will be dealt in on an ex-rights basis on the Stock Exchange from 17 December 2008. To qualify for the Rights Issue, a Qualifying Shareholder’s name must appear on the register of members of the Company on the Record Date, which is currently expected to be 22 December 2008. In order to be registered as Shareholders on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged for registration by 4:30 p.m. on 18 December 2008 (the register of members of the Company is expected to be closed from 19 December 2008 to 22 December 2008, both days inclusive).

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived (where appropriate), and any dealings in the Rights Shares in their nil-paid form between 29 December 2008 to 6 January 2009 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

GENERAL

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. The Company will despatch the Rights Issue Documents to each of the Qualifying Shareholders and the Prospectus to each of the Excluded Shareholders (if any), for their information only, as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 3 December 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 4 December 2008.

PROPOSED RIGHTS ISSUE

Basis of the Rights Issue:	1 Rights Share for every 2 existing Shares held on the Record Date
Number of existing Shares in issue as at the date of this announcement:	683,663,333 Shares
Number of Rights Shares (assuming no Outstanding Options will be exercised on or before the Record Date):	341,831,666 Rights Shares
Outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement:	Outstanding Options attaching subscription rights to subscribe for 129,500,000 Shares
Maximum number of Rights Shares:	342,831,666 Rights Shares (assuming not more than 2,000,000 Shares attaching to the Outstanding Options are exercised on or before the Record Date)

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represented approximately 50.00% of the Company's existing issued share capital as at the date of this announcement and approximately 33.33% of the enlarged issued share capital of the Company immediately following the completion of the Rights Issue assuming that not more than 2,000,000 Outstanding Options are exercised on or before the completion of the Rights Issue.

Pursuant to the Underwriting Agreement, the Company will use its best endeavours to procure Option Holders to execute the Option Holders Irrevocable Undertakings pursuant to which the Option Holders will undertake to the Company not to exercise any of the subscription rights attaching to the Outstanding Options or that there being not more than 2,000,000 additional Shares, on an aggregate basis for all the Option Holders, issued pursuant to the exercise of the Outstanding Options on or before the Record Date.

As at the date of this announcement, other than the Outstanding Options, the Company had no derivatives, options, warrants and conversion rights or other similar rights which were convertible or exchangeable into Shares.

The Rights Shares

The Subscription Price for the Rights Shares is HK\$0.439 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price of HK\$0.439 per Rights Share represents:

- a discount of approximately 53.79% to the closing price of HK\$0.95 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a discount of approximately 52.07% to the average closing price of HK\$0.916 per Share for the five consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 52.18% to the average closing price of HK\$0.918 per Share for the ten consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 43.72% to the theoretical ex-rights price of approximately HK\$0.78 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Date; and
- a discount of approximately 88.01% to the audited consolidated net tangible asset value per Share of approximately HK\$3.66 (calculated by using the latest published audited net tangible asset value of the Group as at 31 March 2008 and dividing this sum by the 683,663,333 Shares in issue as at the date of this announcement).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the recent global economic environment, volatility of the stock market and the prevailing Share prices. In order to enhance the attractiveness of the Rights Issue, issuance of new shares by way of rights issue at a discount to the market price has been commonly adopted by listed issuers in Hong Kong. Given the relatively long underwriting period of a rights issue and taking into account the aforesaid and the theoretical ex-rights price per Share, the Directors consider that, in order to enhance the attractiveness of the Rights Issue, the discount on the Subscription Price to the current market price of the Shares as proposed is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders (see the paragraph headed "Excluded Shareholders" below), any unsold fractions of Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, any further remaining excess Rights Shares will be allocated to applicants in proportion to the excess Rights Shares applied by them; and

(3) in accordance with any further requirements of the Stock Exchange.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the share registrar of the Company in Hong Kong for completion of the relevant registration by 4:30 p.m. on 18 December 2008.

Share certificates for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares by 16 January 2009 at their own risk.

Qualifying Shareholders

The Company will send (i) the Rights Issue Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded Shareholders.

To qualify for the Rights Issue, the Shareholders must be registered as members of the Company on the Record Date. In order to qualify for the Rights Issue, a holder of Outstanding Options must (i) exercise its subscription rights in accordance with the relevant procedures specified in the rules of the Share Option Scheme on or before the Record Date; (ii) be registered as a holder of the Shares allotted pursuant to the exercise of the subscription rights of the Outstanding Options on or before the Record Date; and (iii) not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant Share certificate(s)) with the Company's share registrar in Hong Kong by 4:30 p.m. on 18 December 2008. The last day of dealings in Shares on a cum-rights basis is therefore expected to be 16 December 2008. The Shares will be dealt with on an ex-rights basis from 17 December 2008.

The Company's share registrar in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

It is intended that the Company's register of members will be closed from 19 December 2008 to 22 December 2008, both days inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Excluded Shareholders

If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Directors will make enquiries, to be based on legal opinions provided by legal advisers if the Directors consider it necessary, as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders.

The Company will only send the Prospectus to the Excluded Shareholders for their information.

The Rights Issue Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (1) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);

- (2) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance and the filing of all documents relating to the Rights Issue, which are required to be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act of Bermuda;
- (3) the posting of the Rights Issue Documents to Qualifying Shareholders;
- (4) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (5) compliance with and performance by each of Pearl Garden Pacific Limited, Madian Star Limited, Mr Li Ming Hung and Mr Chen Tien Tui of all of its or his obligations and undertakings under their respective Irrevocable Undertakings; and
- (6) compliance with and performance by each of the Option Holders of all the obligations and undertakings under their respective Option Holders Irrevocable Undertakings or that there being not more than 2,000,000 additional Shares issued pursuant to the exercise of the Outstanding Options on or before the Record Date.

None of the Company and the Underwriter may waive conditions (1), (2), (3), (5) and (6) set out above. The Underwriter may waive condition (4) set out above in whole or in part by written notice to the Company. If any of the conditions of the Rights Issue are not fulfilled or (in respect of condition (4), waived in whole or in part by the Underwriter) on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

(a) Irrevocable Undertakings

As at the date of this announcement, the Committed Shareholders, were interested in aggregate of 241,938,000 Shares, representing approximately 35.39% of the existing issued share capital of the Company.

Each of the Committed Shareholders has irrevocably undertaken to the Company and the Underwriter, among other matters, that: (i) their Shares will remain registered in the same names or be registered in the name of their nominees until the close of business on the Record Date and will continue to have registered addresses in Hong Kong; (ii) they will subscribe or procure the subscription in full for their entitlement under the Rights Issue pursuant to the terms of the Rights Issue and lodge with the Company acceptance in respect of all the Rights Shares provisionally

allotted to their nominee(s), with payment in full; and (iii) they will not and will procure that companies controlled by them will not, during the period from immediately after the execution of the Underwriting Agreement and prior to or on the date the Underwriting Agreement becoming unconditional, dispose of or transfer the beneficial interests in any of the Shares beneficially owned by them.

The Committed Shareholders have also irrevocably undertaken to the Company and the Underwriter not to exercise any of the subscription rights attaching to the 3,000,000 Outstanding Options held by them on or before the Record Date. Pursuant to the Rights Issue, the Committed Shareholders will be entitled to a maximum of 120,969,000 Rights Shares.

(b) Underwriting Agreement dated 2 December 2008

Issuer: The Company

Underwriter: CIMB-GK

Number of Underwritten Shares: Not less than 220,862,666 Rights Shares (assuming no Outstanding Options will be exercised on or before the Record Date), being the total number of Rights Shares under the Rights Issue excluding 120,969,000 Rights Shares undertaken to be subscribed by the Committed Shareholders pursuant to their Irrevocable Undertakings

Not more than 221,862,666 Rights Shares (assuming the subscription rights attaching to not more than 2,000,000 Outstanding Options are exercised on or before the Record Date), being the maximum number of Rights Shares under the Rights Issue excluding 120,969,000 Rights Shares undertaken to be subscribed by the Committed Shareholders pursuant to their Irrevocable Undertakings

Commission: 2% of the aggregate Subscription Price of the Underwritten Shares

The Directors are of the view that the terms of the Underwriting Agreement are on normal commercial terms.

Termination of the Underwriting Agreement

A) The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement if prior to the Latest Time for Termination, any of the following happens:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:**
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or**
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
 - (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or**
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
 - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or**
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or**
- (3) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.**

B) In addition to the above termination clause, the Underwriter and the Company further agree that the Underwriter shall be entitled by a notice in writing to the Company, served not later than 48 hours prior to the Latest Time for Acceptance, to terminate the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination pursuant to Section A as described above or 48 hours prior to the Latest Acceptance Time pursuant to Section B as described above, (as the case may be), or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 17 December 2008. Dealings in the Rights Shares in the nil-paid form will take place from 29 December 2008 to 6 January 2009 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived (where appropriate) on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between 29 December 2008 to 6 January 2009 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Rights Issue and assuming no Shareholders (other than the Committed Shareholders) have taken up rights entitlements and the maximum 220,862,666 Rights Shares are allocated to the Underwriter; and (iii) immediately after completion of the Rights Issue, assuming the subscription rights attaching to not more than 2,000,000 Outstanding Options are exercised on or before the Record Date and no Shareholders (other than the Committed Shareholders) have taken up rights entitlements and the maximum 221,862,666 Rights Shares are allocated to the Underwriter:

Name of Shareholder/Directors and substantial Shareholders	As at the date of this announcement		Immediately after completion of the Rights Issue and assuming no Shareholders (other than the Committed Shareholders) have taken up rights entitlements and the maximum 220,862,666 Rights Shares are allocated to the Underwriter		Immediately after completion of the Rights Issue, assuming the subscription rights attaching to not more than 2,000,000 Outstanding Options are exercised on or before the Record Date and no Shareholders (other than the Committed Shareholders) have taken up rights entitlements and the maximum 221,862,666 Rights Shares are allocated to the Underwriter	
	Shares	%	Shares	%	Shares	%
– Committed Shareholders						
– Pearl Garden Pacific Limited	111,252,000	16.27	166,878,000	16.27	166,878,000	16.23
– Madian Star Limited	111,252,000	16.27	166,878,000	16.27	166,878,000	16.23
– Mr Li Ming Hung	9,160,000	1.34	13,740,000	1.34	13,740,000	1.34
– Mr Chen Tien Tui	10,274,000	1.50	15,411,000	1.50	15,411,000	1.50
– Choi Lin Hung	3,320,000	0.49	3,320,000	0.32	3,320,000	0.32
– Phaisalakani Vichai	240,000	0.04	240,000	0.02	240,000	0.02
– Templeton Asset Management Ltd. ⁽¹⁾	88,212,381	12.90	–	–	–	–
Public						
– Templeton Asset Management Ltd. ⁽¹⁾	–	–	88,212,381	8.60	88,212,381	8.57
– Sansar Capital Management LLC	65,169,000	9.53	65,169,000	6.36	65,169,000	6.34
– Others	284,783,952	41.66	284,783,952	27.78	286,783,952	27.88
– Underwriter ⁽²⁾	–	–	220,862,666	21.54	221,862,666	21.57
Sub-total of Public	<u>349,952,952</u>	<u>51.19</u>	<u>659,027,999</u>	<u>64.28</u>	<u>662,027,999</u>	<u>64.36</u>
Total:	<u>683,663,333</u>	<u>100.00</u>	<u>1,025,494,999</u>	<u>100.00</u>	<u>1,028,494,999</u>	<u>100.00</u>

Note:

- (1) Immediately after the above two scenarios of completion of the Rights Issue, Templeton Asset Management Ltd. will hold less than 10% of the then issued share capital of the Company and therefore be regarded as public.
- (2) As the date hereof, the Underwriter had entered into sub-underwriting agreements such that each of the Underwriter and sub-underwriters would not hold 10% or more of the then issued share capital of the Company upon the completion of the Rights Issue. The Underwriter has confirmed to the Company that the sub-underwriters are third parties independent of the Company and connected persons of the Company.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The net proceeds from the Rights Issue after deducting for expenses are estimated to be approximately HK\$147 million (assuming no Outstanding Options will be exercised on or before the Record Date). The Company intends to retain this amount as general working capital of the Group. The Rights Issue will enlarge the capital base of the Company and the Directors consider that it will facilitate the long-term development of the Company. Taking into account the fact that the net proceeds from the Rights Issue would improve the Group's gearing position and enhance the Company's capital base, the Directors are of the view that the Rights Issue is in the interests of the Group and the Shareholders as a whole.

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

The expected timetable for the Rights Issue set out below is indicative only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled and/or waived (where appropriate).

The expected timetable for the Rights Issue is set out below:

	<i>Hong Kong time</i>
Last day of dealing in Shares on a cum-rights basis	16 December 2008
First day of dealing in Shares on an ex-rights basis	17 December 2008
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on 18 December 2008
Register of members of the Company closes (both days inclusive)	19 to 22 December 2008
Record Date	22 December 2008
Despatch of the Rights Issue Documents	23 December 2008
First day of dealings in nil-paid Rights Shares	29 December 2008
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on 30 December 2008
Last day of dealings in nil-paid Rights Shares	6 January 2009
Latest time for acceptance of and payment for Rights Shares	4:00 p.m. on 9 January 2009

Latest time for the Rights Issue to become unconditional	4:00 p.m. on 13 January 2009
Announcement of results of acceptance of and excess applications for the Rights Issue	13 January 2009
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	16 January 2009
Despatch of certificates for fully-paid Rights Shares on or before	16 January 2009
Commencement of dealings in fully-paid Rights Shares	20 January 2009

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted other equity fund raising exercise in the 12 months immediately preceding the date of this announcement.

ADJUSTMENTS TO OPTIONS GRANTED BY THE COMPANY

Pursuant to the note to Rule 17.03(13) of the Listing Rules, the Company will engage the Company's auditors to review whether or not adjustments to the exercise price of the Outstanding Options or the number of Shares to be subscribed for under the Outstanding Options as a result of the completion of the Rights Issue are necessary. The adjustments to the exercise price of the Outstanding Options, if any, will be disclosed in the Prospectus.

GENERAL

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

The Company will despatch the Rights Issue Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Excluded Shareholders (if any) on or about 23 December 2008.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 3 December 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 4 December 2008.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks generally are open for business in Hong Kong
“CIMB-GK” or “Underwriter”	CIMB-GK Securities (HK) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); being the underwriter of the Underwriting Agreement
“Committed Shareholders”	Each of Pearl Garden Pacific Limited, Madian Star Limited, Mr Li Ming Hung and Mr Chen Tien Tui who was beneficially interested in 111,252,000 Shares, 111,252,000 Shares, 9,160,000 Shares and 10,274,000 Shares respectively, as at the date of this announcement
“Company”	Victory City International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Excluded Shareholders”	the Overseas Shareholders whom the Board, after making enquiries, considers it necessary or expedient not to offer the Rights Shares to on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“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

“Irrevocable Undertakings”	the irrevocable undertaking(s) dated 2 December 2008 given by each of the Committed Shareholders in favour of the Company and the Underwriter
“Last Trading Date”	2 December 2008, being the last trading day of the Shares immediately before the suspension of trading of the Shares prior to the release of this announcement
“Latest Acceptance Time”	4:00 p.m. on 9 January 2009 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares
“Latest Time for Termination”	4:00 p.m. on the second Business Day after the Latest Acceptance Time, being the latest time by which the Underwriter may terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option Holders”	holders of the options granted by the Company pursuant to the Share Option Scheme
“Option Holders Irrevocable Undertakings”	the irrevocable undertaking(s) to be given by Option Holders in favour of the Company and the Underwriter not to exercise any of the subscription rights attaching to the Outstanding Options on or before the Record Date
“Outstanding Options”	the options granted by the Company to subscribe for an aggregate of 129,500,000 Shares pursuant to the Share Option Scheme, which were outstanding as at the date of this announcement
“Overseas Shareholder(s)”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Qualifying Shareholders”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	22 December 2008 or such other date as may be agreed between the Company and the Underwriter

“Rights Issue”	the proposed issue of Rights Shares by the Company on the basis of 1 Rights Share for every 2 existing Shares to the Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the issue
“Rights Issue Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Rights Share(s)”	not less than 341,831,666 new Shares and not more than 342,831,666 new Shares to be issued by the Company pursuant to the Rights Issue
“Share(s)”	the ordinary shares with par value of HK\$0.01 each in the capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 30 November 2001
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.439 per Rights Share
“Underwriting Agreement”	the underwriting agreement dated 2 December 2008 entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	not less than 220,862,666 Rights Shares and not more than 221,862,666 Rights Shares, pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

On behalf of the Board
Victory City International Holdings Limited
Li Ming Hung
Chairman

Hong Kong, 3 December 2008

As at the date of this announcement, the Board comprised 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