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

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VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 539)

**PROPOSED CONNECTED TRANSACTIONS
AND
NOTICE OF SGM**

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



CIMB-GK Securities (HK) Limited

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

A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from CIMB-GK containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 20 of this circular.

A notice convening the special general meeting of the Company to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, Hong Kong at 10:00 a.m. on Wednesday, 17 October 2007 is set out on pages 34 to 36 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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

25 September 2007

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	5
Proposed Connected Transactions	5
Intended use of the Facilities granted to Ford Glory and Glory Time	9
Reasons for the provision of the Guarantees	9
Listing Rules requirements	9
General	11
SGM	11
Recommendation	12
Additional information	12
Letter from the Independent Board Committee	13
Letter from CIMB-GK	14
Appendix I – Procedure for demanding a poll	21
Appendix II – General information	22
Notice of SGM	34

DEFINITIONS

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

“Announcement”	the announcement dated 3 September 2007 and issued by the Company in relation to, among other matters, the Proposed Connected Transactions
“associates”	has the meaning as ascribed thereto under the Listing Rules
“BNP”	BNP Paribas, Hong Kong Branch
“BNP Facilities”	the facilities of up to HK\$50 million placed by BNP at the disposal of Ford Glory on 11 April 2007
“BNP Guarantee”	the deed of guarantee and indemnity to be executed by the Company for HK\$50 million in favour of BNP to secure the BNP Facilities
“BOA”	Bank of America, N.A.
“BOA Facilities”	the facilities of up to US\$20 million (equivalent to approximately HK\$156 million) to be extended by BOA to Ford Glory on 13 March 2007
“BOA Guarantee”	the unconditional 100% continuing guarantee to be executed by the Company in favour of BOA to secure the obligations of Ford Glory in respect of the BOA Facilities
“Board”	the board of Directors
“BOC”	Bank of China (Hong Kong) Limited
“BOC Facilities”	the facilities of up to HK\$40 million granted by BOC to Ford Glory on 26 July 2007
“BOC Guarantee”	the continuing corporate guarantee to be given by the Company in favour of BOC in respect of the BOC Facilities for HK\$40 million together with accrued interest and all commissions, fees, costs, expenses, disbursements and payment payable to or recoverable by BOC under the BOC Facilities and the BOC Guarantee
“CIMB-GK”	CIMB-GK Securities (HK) Ltd., the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Connected Transactions

DEFINITIONS

“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange
“DBS”	DBS Bank (Hong Kong) Limited
“DBS Facilities”	the facilities of up to HK\$70 million made available by DBS to Ford Glory on 13 December 2006
“DBS Guarantee”	the continuing guarantee and indemnity to be given by each of the Company and VCCL for an unlimited amount in favour of DBS to secure the DBS Facilities
“Directors”	the directors of the Company
“Facilities”	the DBS Facilities, the Wing Hang Facilities, the BOA Facilities, the BNP Facilities, the Hang Seng (Ford Glory) Facilities, the Hang Seng (Glory Time) Facilities, the HSBC Facilities and the BOC Facilities
“FG Holdings”	Ford Glory Holdings Limited, a company incorporated in the British Virgin Islands and owned as to 51% indirectly by the Company and 49% directly by Merlotte Enterprise
“Ford Glory”	Ford Glory International Limited, a company incorporated in Hong Kong and a 51% subsidiary of the Company
“Glory Time”	Glory Time Limited, a company incorporated in Hong Kong and a non wholly-owned subsidiary of the Company which is owned as to 70% by FG Holdings
“Guarantees”	the DBS Guarantee, the Wing Hang Guarantee, the BOA Guarantee, the BNP Guarantee, the Hang Seng (Ford Glory) Guarantee, the Hang Seng (Glory Time) Guarantee, the HSBC Guarantee and the BOC Guarantee
“Hang Seng”	Hang Seng Bank Limited
“Hang Seng (Ford Glory) Facilities”	the facilities of up to HK\$130 million offered by Hang Seng to Ford Glory on 25 June 2007
“Hang Seng (Ford Glory) Guarantee”	the deed of guarantee to be executed by each of the Company and VCOL for HK\$80 million in favour of Hang Seng to secure the Hang Seng (Ford Glory) Facilities

DEFINITIONS

“Hang Seng (Glory Time) Facilities”	the facilities of up to HK\$20 million offered by Hang Seng to Glory Time on 25 June 2007
“Hang Seng (Glory Time) Guarantee”	the unlimited deed of guarantee to be executed by each of the Company and Ford Glory in favour of Hang Seng in respect of the Hang Seng (Glory Time) Facilities for all sums due owing and/or payable to Hang Seng by Glory Time together with accrued interest and all commissions, fees, costs, expenses, disbursements and payment liable to be reimbursed or otherwise payable to Hang Seng
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“HSBC Facilities”	the facilities of up to US\$8 million (equivalent to approximately HK\$62.4 million) (or its equivalent amount in HK\$) agreed to be granted by HSBC to Ford Glory on 10 July 2007
“HSBC Guarantee”	the corporate guarantee to be provided by the Company for US\$8 million (equivalent to approximately HK\$62.4 million) in favour of HSBC to secure the HSBC Facilities
“Independent Board Committee”	the independent committee of the Board comprising Mr Kan Ka Hon, Mr Phaisalakani Vichai and Mr Kwok Sze Chi, being all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than Mr Choi and his associates
“Latest Practicable Date”	21 September 2007, being the latest practicable date prior to the printing of the circular for ascertaining certain information contained in this circular
“Lenders”	DBS, Wing Hang, BOA, BNP, Hang Seng, HSBC and BOC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merlotte Enterprise”	Merlotte Enterprise Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr Choi

DEFINITIONS

“Mr Choi”	Mr Choi Lin Hung, an executive Director
“Proposed Connected Transactions”	the proposed provision of financial assistance by VCCL, VCOL, Ford Glory and the Company to Ford Glory and Glory Time under the Guarantees
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for considering, among other matters, the Proposed Connected Transactions
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VCCL”	Victory City Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“VCOL”	Victory City Overseas Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“Wing Hang”	Wing Hang Bank Limited
“Wing Hang Facilities”	the renewed and revised facilities to the extent of HK\$50.4 million to be extended by Wing Hang to Ford Glory on 9 January 2007
“Wing Hang Guarantee”	the corporate guarantee to be provided by the Company for HK\$50 million together with accrued interest in favour of Wing Hang to secure the Wing Hang Facilities
“%”	per cent.

In this circular, for the purpose of illustration only, the equivalent amounts quoted in HK\$ have been converted from US\$ into HK\$ at the rate of US\$1.00 to HK\$7.80, and vice versa. Such exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at such rate or any other rates or at all.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 539)

Executive Directors:

Li Ming Hung (*Chairman*)

Chen Tien Tui (*Chief Executive Officer*)

So Kam Wah

Lee Yuen Chiu, Andy

Choi Lin Hung

Registered office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Kan Ka Hon

Phaisalakani Vichai

Kwok Sze Chi

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

Unit D, 3rd Floor

Winfield Industrial Building

3 Kin Kwan Street

Tuen Mun

Hong Kong

25 September 2007

To the Shareholders

Dear Sir/Madam

PROPOSED CONNECTED TRANSACTIONS

INTRODUCTION

The primary purpose of this circular is to provide you with information regarding the resolution to be proposed at the SGM and to give you notice of the SGM. An ordinary resolution will be proposed at the SGM to approve the Proposed Connected Transactions.

PROPOSED CONNECTED TRANSACTIONS

The Directors announced on 3 September 2007 that VCCL, VCOL (both of which are wholly-owned subsidiaries of the Company), Ford Glory (a non wholly-owned subsidiary of the Company) and the Company proposed to provide the Guarantees in favour of the Lenders in respect of the Facilities in the aggregate maximum amount of approximately HK\$578.8 million to be granted by the Lenders to Ford Glory and Glory Time in the manner set out below.

* *for identification purposes only*

LETTER FROM THE BOARD

DBS Guarantee

On 13 December 2006, DBS indicated they were prepared to consider making available or continuing to make available the DBS Facilities of up to HK\$70 million to Ford Glory. Under the terms of the DBS Facilities, each of the Company and VCCL is required to provide the DBS Guarantee for an unlimited amount in favour of DBS to secure the DBS Facilities.

Ford Glory will not provide to the Company and VCCL any guarantee fee or security in respect of the DBS Guarantee. Other than the DBS Guarantee, no guarantee nor security will be given in favour of DBS in respect of the DBS Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity in favour of the Company and VCCL in respect of the DBS Guarantee.

Wing Hang Guarantee

On 9 January 2007, Wing Hang confirmed that they were prepared to extend the Wing Hang Facilities to Ford Glory to the extent of HK\$50.4 million. Under the terms of the Wing Hang Facilities, the Company is required to provide the Wing Hang Guarantee for HK\$50 million together with accrued interest in favour of Wing Hang to secure the Wing Hang Facilities. The Wing Hang Facilities will also be secured by an existing corporate guarantee signed by Top Star Limited, a company wholly-owned by FG Holdings, in favour of Wing Hang for all monies together with accrued interest.

Ford Glory will not provide to the Company any guarantee fee or security in respect of the Wing Hang Guarantee. Other than the Wing Hang Guarantee and the existing corporate guarantee given by Top Star Limited as mentioned above, no guarantee nor security will be given in favour of Wing Hang in respect of the Wing Hang Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity in favour of the Company in respect of the Wing Hang Guarantee.

BOA Guarantee

On 13 March 2007, BOA indicated that they would consider to extend the BOA Facilities of up to US\$20 million (equivalent to approximately HK\$156 million) to Ford Glory. Under the terms of BOA Facilities, the Company is required to provide the BOA Guarantee in favour of BOA to secure the obligations of Ford Glory in respect of the BOA Facilities.

Ford Glory will not provide to the Company any guarantee fee or security in respect of the BOA Guarantee. Other than the BOA Guarantee, no guarantee nor security will be given in favour of BOA in respect of the BOA Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity in favour of the Company in respect of the BOA Guarantee.

LETTER FROM THE BOARD

BNP Guarantee

On 11 April 2007, BNP placed the BNP Facilities of up to HK\$50 million at the disposal of Ford Glory. Under the terms of the BNP Facilities, the Company is required to execute the BNP Guarantee for HK\$50 million in favour of BNP in respect of the BNP Facilities. The BNP Facilities shall also be secured by a deed of charge over receivables to be executed by Ford Glory.

Ford Glory will not provide to the Company any guarantee fee or security in respect of the BNP Guarantee. Other than the BNP Guarantee and the deed of charge to be executed by Ford Glory as mentioned above, no guarantee nor security will be given in favour of BNP in respect of the BNP Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity in favour of the Company in respect of the BNP Guarantee.

Hang Seng (Ford Glory) Guarantee

On 25 June 2007, Hang Seng offered the Hang Seng (Ford Glory) Facilities of up to HK\$130 million to Ford Glory. Under the terms of the Hang Seng (Ford Glory) Facilities, each of the Company and VCOL is required to execute a Hang Seng (Ford Glory) Guarantee for HK\$80 million in favour of Hang Seng in respect of the Hang Seng (Ford Glory) Facilities. The Hang Seng (Ford Glory) Facilities shall also be secured by an undertaking for repayment of overdraft to be executed by Ford Glory, a deed of guarantee for HK\$50 million already executed by the Company and a deed of guarantee for HK\$50 million already executed by VCOL. Such deeds of guarantee for HK\$50 million executed by the Company and VCOL constitute non-exempt connected transactions for the Company and were approved by the Independent Shareholders at the special general meeting of the Company held on 29 August 2003. Mr. Choi has provided a pro rata counter indemnity in favour of the Company and VCOL in respect of their contingent liabilities under such guarantees. It is intended that Merlotte Enterprise will replace Mr Choi to provide such counter indemnity. The pro rata counter indemnity by Merlotte Enterprise, when given, will constitute connected transaction for the Company which, under Rule 14A.65(4) of the Listing Rules, is exempt from the reporting, announcement and independent shareholders' approval requirements of Rule 14A.63 of the Listing Rules.

Ford Glory will not provide to the Company and VCOL any guarantee fee or security in respect of the Hang Seng (Ford Glory) Guarantee. Other than the Hang Seng (Ford Glory) Guarantee, an undertaking for repayment of overdraft to be executed by Ford Glory, a deed of guarantee for HK\$50 million already executed by the Company and a deed of guarantee for HK\$50 million already executed by VCOL, no guarantee nor security will be given in favour of Hang Seng in respect of the Hang Seng (Ford Glory) Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity in favour of the Company and VCOL in respect of the Hang Seng (Ford Glory) Guarantee.

LETTER FROM THE BOARD

Hang Seng (Glory Time) Guarantee

On 25 June 2007, Hang Seng offered the Hang Seng (Glory Time) Facilities of up to HK\$20 million to Glory Time. Under the terms of the Hang Seng (Glory Time) Facilities, each of the Company and Ford Glory is required to execute the Hang Seng (Glory Time) Guarantee in favour of Hang Seng in respect of the Hang Seng (Glory Time) Facilities for all sums due owing and/or payable to Hang Seng by Glory Time together with accrued interest and all commissions, fees, costs, expenses, disbursements and payment liable to be reimbursed or otherwise payable to Hang Seng.

Glory Time will not provide to the Company and Ford Glory any guarantee fee or security in respect of the Hang Seng (Glory Time) Guarantee. Other than the Hang Seng (Glory Time) Guarantee, no guarantee nor security will be given in favour of Hang Seng in respect of the Hang Seng (Glory Time) Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity in favour of the Company and Ford Glory in respect of the Hang Seng (Glory Time) Guarantee.

HSBC Guarantee

On 10 July 2007, HSBC confirmed their agreement to grant the HSBC Facilities of up to US\$8 million (equivalent to approximately HK\$62.4 million) (or its equivalent amount in HK\$) to Ford Glory. Under the terms of the HSBC Facilities, the Company is required to provide the HSBC Guarantee for US\$8 million (equivalent to approximately HK\$62.4 million) in favour of HSBC in respect of the HSBC Facilities.

Ford Glory will not provide to the Company any guarantee fee or security in respect of the HSBC Guarantee. Other than the HSBC Guarantee and the letter of indemnity to be executed by Ford Glory in favour of HSBC pursuant to which Ford Glory shall, among others, keep HSBC indemnified at all times against all actions, proceedings, claims, loss, damage, costs and expenses which may be brought against HSBC or suffered or incurred by HSBC in connection with its accepting instructions from Ford Glory and acting thereon, whether or not the same is confirmed in writing by Ford Glory, no guarantee nor security will be given in favour of HSBC in respect of the HSBC Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity in favour of the Company in respect of the HSBC Guarantee.

BOC Guarantee

On 26 July 2007, BOC granted the BOC Facilities of up to HK\$40 million to Ford Glory. Under the terms of the BOC Facilities, the Company is required to provide the BOC Guarantee in favour of BOC in respect of the BOC Facilities for HK\$40 million together with accrued interest and all commissions, fees, costs, expenses, disbursements and payment payable to or recoverable by BOC under the BOC Facilities and the BOC Guarantee.

LETTER FROM THE BOARD

Ford Glory will not provide to the Company any guarantee fee or security in respect of the BOC Guarantee. Other than the BOC Guarantee, no guarantee nor security will be given in favour of BOC in respect of the BOC Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity in favour of the Company in respect of the BOC Guarantee.

INTENDED USE OF THE FACILITIES GRANTED TO FORD GLORY AND GLORY TIME

The principal business of each of Ford Glory and Glory Time is the production and trading of garment products. Ford Glory and Glory Time are responsible for the majority of the trading of garment products of the Group.

The Facilities include term loan and normal trade lines (such as letters of credit and trust receipts) for the existing business activities of Ford Glory and Glory Time and they will be used to finance the general operation of Ford Glory and Glory Time. The aggregate maximum amount of the Facilities has been arrived at having regard principally to the requirement by the Group of banking facilities to finance the general operation of Ford Glory and Glory Time in the foreseeable future.

REASONS FOR THE PROVISION OF THE GUARANTEES

Under the terms of the Facilities, the Company, VCCL, VCOL and Ford Glory are required to provide the Guarantees in the manner set out in the section headed “Proposed Connected Transactions” above. The Directors consider that the Group will benefit from the provision of the Guarantees in facilitating the business growth of Ford Glory and Glory Time to be afforded by the Facilities.

Given that Ford Glory and Glory Time are responsible for the majority of the trading of garment products of the Group, the Directors consider that the exposure of the Group to the liabilities under the Guarantees is commercially justifiable and is therefore in the interest of the Company to assist each of Ford Glory and Glory Time to obtain the Facilities. In view that Merlotte Enterprise will give pro rata counter-indemnity in respect of the Guarantees in favour of the members of the Group giving the Guarantees, the Directors are of the view that the granting of the Guarantees is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LISTING RULES REQUIREMENTS

Ford Glory is wholly-owned by FG Holdings which is in turn held as to 51% indirectly by the Company and 49% directly by Merlotte Enterprise, a company wholly-owned by Mr Choi who is an executive Director. Glory Time is owned as to 70% by FG Holdings.

LETTER FROM THE BOARD

Given that the financial assistance to be provided by VCCL, VCOL, Ford Glory and the Company by way of the Guarantees to each of Ford Glory and Glory Time will exceed the proportional interest of the Company in Ford Glory or Glory Time (as the case may be) and that the aggregate limit of the amount to be secured by the Guarantees exceeds HK\$10 million, the provision of the Guarantees will constitute non-exempt connected transactions for the Company under Rule 14A.63 of the Listing Rules. Accordingly, the provision of the Guarantees is subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.63 of the Listing Rules. As at the Latest Practicable Date, the Guarantees had not been given. It is intended that the Guarantees will be executed shortly after the approval of the Independent Shareholders for the giving of the Guarantees is obtained at the SGM.

Although the proposed provision of the Guarantees will not constitute connected transactions for the Company under Chapter 14A of the Listing Rules until the Guarantees are executed after the Independent Shareholders' approval has been obtained, an application has been made by the Company to the Stock Exchange for a waiver to allow the Company to comply with the announcement and independent shareholders' approval requirements of Rule 14A.63 of the Listing Rules regarding the provision of the Guarantees before they are executed.

The reasons of the Company for applying for such waiver are as follows:

- (a) the Guarantees are not connected transactions for the Company until the Guarantees have been executed. The Company would not be allowed to obtain prior Independent Shareholders' approval in respect of the Proposed Connected Transactions before the Guarantees have been signed in full compliance with the shareholders' approval requirements under Rule 14A.63 of the Listing Rules. Accordingly, before their execution, the Guarantees do not fall within the scope of Rule 14A.63 of the Listing Rules and are not subject to the reporting, announcement and independent shareholders' approval requirements under that rule;
- (b) the Company is of the view that all the information on the material terms of the Guarantees, other than the date of the Guarantees as required under Rules 14.58(3) and 14A.56(1) of the Listing Rules, has been disclosed in the Announcement; and
- (c) the Company finds it extremely difficult, if not impossible, to negotiate with the seven Lenders for the incorporation of the condition that notwithstanding execution, the Guarantees will take effect only after Independent Shareholders' approval is obtained.

The Stock Exchange has granted such waiver which is subject to the following conditions:

- (a) the Board shall confirm that the information contained in the Announcement, taking into account the exclusion of the date of the Guarantees, still complies with the requirements under Rule 2.13 of the Listing Rules;
- (b) the Company will issue a separate announcement disclosing the date of the Guarantees as required under Rules 14.58(3) and 14A.56(1) of the Listing Rules when such information is available upon the execution of the Guarantees; and

LETTER FROM THE BOARD

- (c) if there is any material variation of the terms of the Guarantees subsequent to the Independent Shareholders' approval, the Company is required to re-comply with all applicable requirements of Chapter 14A of the Listing Rules (including the independent shareholders' approval requirement) for the Guarantees.

The Company is prepared to comply with the conditions above and in particular, the Board is of the view that the Announcement complies with Rule 2.13 of the Listing Rules.

The pro rata counter indemnities to be given by Merlotte Enterprise in respect of the Guarantees will constitute connected transactions for the Company which, under Rule 14A.65(4) of the Listing Rules, are exempt from the reporting, announcement and Independent Shareholders' approval requirements of Rule 14A.63 of the Listing Rules.

GENERAL

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products.

SGM

An ordinary resolution will be proposed at the SGM for approving the Proposed Connected Transactions.

A notice of the SGM is set out on pages 34 to 36 of this circular. Mr Choi, who held 3,228,000 shares in the Company (which represents approximately 0.49% of the issued share capital of the Company as at the Latest Practicable Date), and his associates will abstain from voting on the resolution regarding the Proposed Connected Transactions at the SGM. Other than Mr Choi and his associates, no connected person (as defined in the Listing Rules) of the Company is required to abstain from voting at the SGM in respect of the Proposed Connected Transactions.

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

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

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM regarding the granting of the Guarantees. Your attention is also drawn to the letter of advice received from CIMB-GK which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the granting of the Guarantees and the principal factors and reasons considered by it in concluding its advice. The letter from CIMB-GK is set out on pages 14 to 20 of this circular. The Independent Board Committee, having taken into account the advice from CIMB-GK, considers that the terms of the Guarantees are fair and reasonable so far as the Independent Shareholders are concerned and the provision of the Guarantees is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the provision of the Guarantees.

ADDITIONAL INFORMATION

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

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



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 539)

25 September 2007

To the Shareholders

Dear Sir/Madam

PROPOSED CONNECTED TRANSACTIONS

We refer to the circular to the Shareholders dated 25 September 2007 (“Circular”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to consider the terms of the Guarantees and to advise the Independent Shareholders in connection with the provision of the Guarantees as to whether the terms of the Guarantees are fair and reasonable so far as the Independent Shareholders are concerned and whether the provision of the Guarantees is in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 5 to pages 12 of the Circular and the letter of advice from CIMB-GK as set out on pages 14 to 20 of the Circular.

Having considered, among other matters, the principal factors and reasons considered by, and the opinion of, CIMB-GK as set out in its letter of advice, we consider that the terms of the Guarantees are fair and reasonable as far as the Independent Shareholders are concerned and the provision of the Guarantees is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the provision of the Guarantees, as contained in the notice convening the SGM set out on pages 34 to 36 of the Circular, to be proposed at the SGM.

Yours faithfully

Independent Board Committee

Kan Ka Hon

Phaisalakani Vichai

Kwok Sze Chi

Independent non-executive Directors

* *for identification purposes only*



CIMB-GK Securities (HK) Limited

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

25 September 2007

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

Dear Sirs,

CONNECTED TRANSACTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Connected Transactions, details of which are set out in the letter from the Board as contained in the circular of the Company to the Shareholders dated 25 September 2007 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

An independent board committee comprising Messrs. Kan Ka Hon, Phaisalakani Vichai and Kwok Sze Chi, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Proposed Connected Transactions. Any vote of the Independent Shareholders at the SGM shall be taken by poll. Mr Choi, who currently holds 3,228,000 shares in the Company (which represents approximately 0.49% of the issued share capital of the Company as at the Latest Practicable Date), and his associates will abstain from voting on the resolutions regarding the Proposed Connected Transactions at the SGM.

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

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

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion on the Proposed Connected Transactions, we have considered the following principal factors and reasons:

Background and reasons

The Group is principally engaged in the production and sale of knitted fabric, dyed yarn and garment products. Ford Glory and Glory Time are non-wholly owned subsidiaries of the Company and the trading arm of the Group's garment business.

The Facilities include term loan and normal trade lines (such as letters of credit and trust receipts) for the existing business activities of Ford Glory and Glory Time and they will be used to finance the general operation of Ford Glory and Glory Time. Under the terms of the Facilities, the Company, VCCL, VCOL and Ford Glory are required to provide the Guarantees in favour of the Lenders in respect of the Facilities in the aggregate maximum amount of HK\$578.8 million to be granted by the Lenders to Ford Glory and Glory Time. For the year ended 31 March 2007, Ford Glory and Glory Time recorded unaudited consolidated turnover of approximately HK\$1,089.4 million and HK\$55.0 million respectively, which in aggregate, represented about 29.4% of the consolidated turnover of the Group for the year ended 31 March 2007.

Given that Ford Glory and Glory Time are responsible for a majority portion of the Group's garment trading business, the Group will benefit from the growth in businesses of Ford Glory and Glory Time. Therefore, the Directors consider that the exposure of the Group to the liabilities under the Guarantees is commercially justifiable and is in the interest of the Company to assist each of Ford Glory and Glory Time to obtain the Facilities. We also note that Merlotte Enterprise, a company wholly-owned by Mr. Choi, will give a pro-rata counter indemnity for the Guarantees ("Counter Indemnity").

As Ford Glory and Glory Time are private trading companies, it may be difficult for them to independently obtain additional financing without the support from its controlling shareholders. We note that there are alternative means to obtain financing by Ford Glory and Glory Time, such as advancement of shareholder's loans or through equity financing. However, as advised by the Company, these alternatives would involve an outright cash payment by the Company and would have an immediate impact on the Group's cashflow. Unless and until such time that the Guarantees is called upon, the Company will only involve a secondary obligation of payment.

Views

In view of the foregoing, we consider that the Proposed Connected Transaction will enable Ford Glory and Glory Time, both non-wholly owned subsidiaries of the Company responsible for a majority portion of the Group's garment trading business, to have additional financial resources, which is in the interests of the Company and the Shareholders as a whole.

LETTER FROM CIMB-GK

Terms of the Facilities

We have reviewed all the facilities letters offered by the Lenders to Ford Glory and Glory Time. Major terms of the Facilities are summarized as follows:

Banks	Facilities amount to Ford Glory	Details of the Guarantees
DBS Guarantee	HK\$70 million	the continuing guarantee and indemnity to be given by each of the Company and VCCL for an unlimited amount in favour of DBS to secure the DBS Facilities
Wing Hang Guarantee	HK\$50.4 million	the corporate guarantee to be provided by the Company for HK\$50 million together with accrued interest in favour of Wing Hang to secure the Wing Hang Facilities
BOA Guarantee	US\$20 million (equivalent to HK\$156 million)	the unconditional 100% continuing guarantee to be executed by the Company in favour of BOA to secure the obligations of Ford Glory in respect of the BOA Facilities
BNP Guarantee	HK\$50 million	the deed of guarantee and indemnity to be executed by the Company for HK\$50 million in favour of BNP to secure the BNP Facilities
Hang Seng (Ford Glory) Guarantee	HK\$130 million	the deed of guarantee to be executed by each of the Company and VCOL for HK\$80 million in favour of Hang Seng to secure the Hang Seng (Ford Glory) Facilities
HSBC Guarantee	US\$8 million (equivalent to HK\$62.4 million)	the corporate guarantee to be provided by the Company for US\$8 million (equivalent to approximately HK\$62.4 million) in favour of HSBC to secure the HSBC Facilities
BOC Guarantee	HK\$40 million	the continuing corporate guarantee to be given by the Company in favour of BOC in respect of the BOC Facilities for HK\$40 million together with accrued interest and all commissions, fees, costs, expenses, disbursements and payment payable to or recoverable by BOC under the BOC Facilities and the BOC Guarantee
Sub Total	HK\$558.8 million	

LETTER FROM CIMB-GK

Bank	Facilities amount to Glory Time	Details of the Guarantees
Hang Seng (Glory Time) Guarantee	HK\$20 million	the unlimited deed of guarantee to be executed by each of the Company and Ford Glory in favour of Hang Seng in respect of the Hang Seng (Glory Time) Facilities for all sums due owing and/or payable to Hang Seng by Glory Time together with accrued interest and all commissions, fees, costs, expenses, disbursements and payment liable to be reimbursed or otherwise payable to Hang Seng
Total amount of the Facilities:	HK\$578.8 million	

We noted that Hang Seng had requested for i) unlimited guarantee for the Hang Seng (Glory Time) Facilities; and ii) HK\$80 million guarantee to be executed by each of the Company and VCOL for the Hang Seng (Ford Glory) Facilities of up to HK\$130 million. As noted from the facilities letter for the Hang Seng (Ford Glory) Facilities, deeds of guarantee for HK\$50 million from each of the Company and VCOL were already provided to Heng Seng in previous transaction. All other Lenders had requested for guarantees from the Company for the full amount of the credit or trade facilities.

As companies listed on the Stock Exchange are subject to more stringent regulatory requirements including the financial reporting requirements, we note that it is not an uncommon practice for financial institutions to require similar conditions in respect of facilities granted to private subsidiaries of listed companies. We also note that it is not unusual for listed companies in Hong Kong to grant corporate guarantees of a similar nature in respect of banking or credit facilities provide to their non-wholly owned subsidiaries, which are private companies. As stated in the letter from the Board, the Company does not propose to charge Ford Glory or Glory Time any fees for granting the Guarantees.

We have also, to the best of our knowledge, searched from the Stock Exchange's website and noted from the announcements published by listed companies in Hong Kong that for the last three months preceding the Latest Practicable Date, there were already six listed companies announced granting of similar corporate guarantee arrangement to support their affiliated companies' banking facilities. Given this market practice and when comparing the terms of the corporate guarantees as disclosed in the respective announcements of other listed companies on the Stock Exchange with those of the Guarantees, we consider that the Guarantees are of normal commercial terms and are fair and reasonable for both the Company and the Shareholders as a whole.

Capability of Ford Glory and Glory Time to repay the Facilities

The Facilities will provide a HK\$558.8 million trade facilities to Ford Glory (“Ford Glory Facilities”) and a HK\$20.0 million trade facilities to Glory Time (“Glory Time Facilities”), representing approximately 51.3% and 36.4% of Ford Glory’s and Glory Time’s consolidated turnover for the year ended 31 March 2007 respectively. As at 31 August 2007, approximately HK\$90.6 million and HK\$3.5 million of the facilities has been utilized by Ford Glory and Glory Time respectively. These facilities are also guaranteed by the Company as previously approved by the Independent Shareholders back in September 2004.

Based on the unaudited management accounts of Ford Glory, the consolidated net tangible asset of Ford Glory was approximately HK\$64.5 million as at 31 March 2007. As Ford Glory is a trading company, it is not uncommon to have a relatively small net tangible asset value compared to its working capital requirements. The turnover for Ford Glory for the year ended 31 March 2006 and 2007 were approximately HK\$718.3 million and HK\$1,089.4 million respectively. As advised by the Company and noted from the relevant purchase orders and payment receipts provided to us, the purchase of raw materials by Ford Glory to receipt of payments from end customers generally takes five to six months. Ford Glory normally grants a credit period of about 90 days to its customers and as confirmed by Ford Glory, it has no intention to change its credit control policy.

We have reviewed the historical financial information of Ford Glory and noted the growth in turnover of Ford Glory in recent years whereby the turnover for the year ended 31 March 2007 represents 1.95 times the Ford Glory Facilities, the profit level of Ford Glory, and its no bad debts and no default in payment records. As advised by the Company, Ford Glory has not incurred any bad debts or made any provision for doubtful debts for the last two financial years ended 31 March 2007 and Ford Glory has not been in default of or late in repayment of any bank facilities previously granted to Ford Glory.

We have reviewed the historical financial statements of Glory Time and the latest unaudited management accounts of Glory Time and noted that the consolidated net liabilities of Glory Time was approximately HK\$1.6 million as at 31 March 2007. As Glory Time has only commenced its operations from in early 2006, a relatively substantial amount of start up cost was incurred for the two years ended 31 March 2007 and as a result, Glory Time was in a net liabilities position for the year ended 31 March 2007. As noted from the financial statements of Glory Time, the turnover of Glory Time for the year ended 31 March 2006 and 2007 were approximately HK\$48.2 million and HK\$55.0 million respectively. As advised by the Company and noted from the relevant purchase orders and payment receipts provided to us, the purchase of raw materials by Glory Time to receipt of payments from end customers generally takes five to six months. Glory Time normally grants a credit period of about 90 days to its customers and Glory Time has advised that it has no intention to change its credit control policy. In view of the growth in turnover of Glory Time whereby the turnover for the year ended 31 March 2007 represents 2.7 times the Glory Time Facilities, the amount of the Glory Time Facilities, and the fact that Glory Time does not have bad debts or default in payment records. As advised by the Company and based on the historical financial statements of Glory Time, Glory Time has not incurred any bad debts or made any provision for doubtful debts for the last two financial years ended 31 March 2007 and Glory Time has not been in default of or late in repayment of any bank facilities previously granted to Glory Time.

Having considered the above factors and the expected growth in the business of Ford Glory and Glory Time in light of their past performance, we have no reason to doubt that Ford Glory and Glory Time would not be able to repay the utilized portion of the Facilities when they fall due.

Pro-rata counter indemnity given by Merlotte Enterprise

Merlotte Enterprise, a company wholly-owned by Mr Choi, an executive Director, will provide pro-rata counter indemnities in favour of VCCL, VCOL or the Company (as the case may be) in respect of the Guarantees.

As advised by the Company, Merlotte Enterprise is an investment holding company and its principal asset is its 49% interest in FG Holdings. It should be noted that the Counter Indemnity is unsecured. Although there is no assurance that Merlotte Enterprise would have adequate financial resources to cover its obligations for the Counter Indemnity in the event that the full amount of the Counter Indemnity was called upon, the Counter Indemnity would nevertheless reduce the Group's contingent liabilities in relation to the Guarantees to 51%, which is equivalent to the Group's 51% interest in FG Holdings.

Based on the above, we consider the provision of the counter indemnity by Merlotte Enterprise to be in the interests of the Company and the Shareholders as a whole.

Financial effects to the Group

The Proposed Connected Transactions will increase the Group's contingent liabilities by HK\$578.8 million but will not have any direct impact on the gearing and financial position of the Group unless any of the Guarantees are called upon. Hence, there will not be material adverse impact on the Group's existing financial position.

As at 31 March 2007, the consolidated net tangible asset value of the Group was approximately HK\$2,012.8 million and its gearing ratio, being the ratio of total borrowings (excluding bills discounted and debts factored, and net of bank balances and cash) to shareholders funds was approximately 80%. In the event that the entire amount of the Guarantees were called upon, the Company's gearing ratio would increase by approximately 30%. However, the likelihood that the entire amount of the Guarantees to be called upon is reduced to a certain extent by the capacity of Ford Glory and Glory Time to fulfill its obligation under the Facilities as discussed above. In addition, the Counter Indemnity provided by Merlotte Enterprise would also reduce the Group's contingent liabilities to 51% of the Guarantees.

LETTER FROM CIMB-GK

RECOMMENDATION

Although the Guarantees exceed the Group's proportionate shareholding interest in Ford Glory and Glory Time, having considered the principal factors and reasons discussed above, in particular that,

- i) Ford Glory and Glory Time are responsible for a majority portion of the Group's garment trading business, the Group will benefit from the growth in businesses of Ford Glory and Glory Time;
- ii) the terms of the Guarantees are of normal commercial terms;
- iii) the no bad debt and no default in payment records of Ford Glory and Glory Time; and
- iv) the contingent liabilities of the Group in respect of its obligations under the Guarantees are to a certain extent mitigated by the Counter Indemnity provided by Merlotte Enterprise,

we consider that the Proposed Connected Transactions are in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Proposed Connected Transactions.

Yours faithfully,

For and on behalf of

CIMB-GK Securities (HK) Limited

Alex Lau

Executive Vice President

Flavia Hung

Senior Vice President

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

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

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

<i>Authorised</i>		<i>HK\$</i>
<u>40,000,000,000</u>	Shares	<u>400,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		
<u>660,045,899</u>	Shares in issue as at the Latest Practicable Date	<u>6,600,458.99</u>

3. DISCLOSURE OF INTERESTS

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

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares (Note 1)	% of the relevant class of issued share capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	100,630,000 Shares (L) (Note 2)	–	15.2%
	The Company	Beneficial owner	9,160,000 Shares (L)	–	1.4%
	The Company	Beneficial owner	–	1,500,000 Shares (L) (Note 4)	0.2%
	Victory City Company Limited (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
Chen Tien Tui	The Company	Founder of a trust	100,630,000 Shares (L) (Note 3)	–	15.2%
	The Company	Beneficial owner	10,246,000 Shares (L)	–	1.6%
	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 (Note 1)	% of the relevant class of issued share capital of the Company/ associated corporation
	Victory City Company Limited (Note 15)	Beneficial owner	4,000,000 non-voting deferred 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%
Choi Lin Hung	The Company	Beneficial owner	3,228,000 Shares (L)	–	0.49%
	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	1.4%
	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 shares of US\$1.00 each (L) (Note 6)	–	49%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares (Note 1)	% of the relevant class of issued share capital of the Company associated corporation
	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 13)	–	100%
	Glory Time Limited (Note 15)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 10)	–	70%
	Mayer Apparel Limited (Notes 11 & 15)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L)	–	51%
	PT Victory Apparel Samarang (Note 15)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) (Note 9)	–	100%
	Silver Success Limited (Note 15)	Interest of controlled corporation	90 ordinary shares of HK\$1.00 each (L) (Note 10)	–	90%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares (Note 1)	% of the relevant class of issued share capital of the Company associated corporation
	Surefaith Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	–	100%
	Top Star Limited (Note 15)	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) (Note 13)	–	100%
	Top Value Inc. (Note 15)	Interest of controlled corporation	200 common shares of no par value (L) (Note 12)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 15)	Interest of controlled corporation	Quota capital of MOP 100,000 (L) (Note 14)	–	100%
	Victory Apparel Jordan Manufacturing Limited (Note 15)	Interest of controlled corporation	50,000 ordinary shares of JD\$1.00 each (L) (Note 8)	–	100%
	Wealth Choice Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares (Note 1)	% of the relevant class of issued share capital of the Company associated corporation
	福之源貿易 (上海) 有限公司 (Note 15)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 7)	–	100%
	Gojifashion Inc. (Note 16)	Interest of controlled corporation	100 common shares of no par value (L) (Note 12)	–	50%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	1.4%
So Kam Wah	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	1.4%
Phaisalakani Vichai	The Company	Beneficial owner	208,000 Shares (L)	–	0.03%

Notes:

1. The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporations.
2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung’s family.
3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui’s family.
4. On 9 October 2003, each of Messrs. Li Ming Hung and Chen Tien Tui were granted 500,000 options under the option scheme of the Company to subscribe for 500,000 Shares, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011.

On 7 June 2004, Li Ming Hung and Chen Tien Tui were granted options under the share option scheme of the Company to subscribe for 1,000,000 Shares and 1,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011.

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

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

On 7 June 2004, Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 4,000,000 Shares, 4,000,000 Shares and 4,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

- (b) (i) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group;
- (ii) none of the Directors was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries since 31 March 2007, the date to which the latest published audited consolidated accounts of the Group were made up; and
- (iii) none of the Directors had entered or was proposing to enter into a service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

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

(a) 5% of holdings

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

Name of person	Number of Shares <i>(Note 1)</i>	Capacity	Approximate percentage of interest
Pearl Garden Pacific Limited	100,630,000 (L)	Beneficial owner <i>(Note 2)</i>	15.2%
Cornice Worldwide Limited	100,630,000 (L)	Interest of controlled corporation <i>(Note 2)</i>	15.2%
Madian Star Limited	100,630,000 (L)	Beneficial owner <i>(Note 3)</i>	15.2%
Yonice Limited	100,630,000 (L)	Interest of controlled corporation <i>(Note 3)</i>	15.2%
Trustcorp Limited	201,260,000 (L)	Trustee <i>(Notes 2,3 & 4)</i>	30.5%
Newcorp Limited	201,260,000 (L)	Interest of controlled corporation <i>(Notes 2,3 & 4)</i>	30.5%
Newcorp Holdings Limited	201,260,000 (L)	Interest of controlled corporation <i>(Notes 2, 3 & 4)</i>	30.5%
David Henry Christopher Hill	201,260,000 (L)	Interest of controlled corporation <i>(Notes 2, 3 & 4)</i>	30.5%
David William Roberts	201,260,000 (L)	Interest of controlled corporation <i>(Notes 2, 3 & 4)</i>	30.5%
Rebecca Ann Hill	201,260,000 (L)	Interest of spouse <i>(Notes 2, 3, 4 & 5)</i>	30.5%
Ho Yuen Mui, Shirley	111,290,000 (L)	Interest of spouse <i>(Note 6)</i>	16.9%
Or Kwai Ying	112,376,000 (L)	Interest of spouse <i>(Note 7)</i>	17.0%
Templeton Asset Management Limited	72,550,065 (L)	Investment manager	10.9%
Sansar Capital Special Opportunity Master Fund, LP	65,169,000 (L)	Beneficial owner <i>(Note 8)</i>	9.9%

Notes:

1. The letter “L” represents the person’s interests in the Shares and underlying Shares.
2. These shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Li Ming Hung’s family. Mr. Chen Tien Tui is a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited.
3. These shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Chen Tien Tui’s family. Mr. Li Ming Hung is a director of Madian Star Limited and Yonice Limited.
4. Trustcorp Limited is wholly owned by Newcorp Limited which is in turn wholly owned by Newcorp Holdings Limited. Newcorp Holdings Limited is owned as to 35% by David Henry Christopher Hill, as to 35% by David William Roberts and as to 30% by Michael J. Kenney-Herbert.
5. Rebecca Ann Hill is the wife of David Henry Christopher Hill.
6. Ho Yuen Mui, Shirley is the wife of Li Ming Hung.
7. Or Kwai Ying is the wife of Chen Tien Tui.
8. These Shares were held by Sansar Capital Special Opportunity Master Fund, LP. To the best knowledge of the Company, Sansar Capital Management, LLC was interested in such Shares as investment manager.

(b) Substantial shareholders of the subsidiaries of the Company

As at the Latest Practicable Date, so far as was known to or can be ascertained after reasonable enquiry by the Directors, the following person was, either directly or indirectly, interested in shares representing 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company:

Name of person	Name of subsidiary	Total number and class of securities in issue	Approximate percentage of securities held
Merlotte Enterprise Limited	Ford Glory Holdings Limited	49 shares of US\$1.00 each (Note)	49%

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

- (c) Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares in the Company (including interest in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in shares representing 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

5. CONSENT AND EXPERT

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

CIMB-GK has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they respectively appear.

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

As at the Latest Practicable Date, CIMB-GK did not have any interest, direct or indirect, in any assets which since 31 March 2007, the date to which the latest published audited financial statements of the Company were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING BUSINESS

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

7. GENERAL

- (a) The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited consolidated accounts of the Group were made up.
- (b) The secretary of the Company is Mr Lee Chung Shing, who is an associate member of the Chartered Institute of Management Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong.

- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, Hong Kong during normal business hours up to and including 17 October 2007 and at the SGM:

- (a) the letter of advice from CIMB-GK to the Independent Board Committee, the text of which is set out on pages 14 to 20 of this circular;
- (b) the written consent from the CIMB-GK referred to in paragraph 5 of this Appendix; and
- (c) the Guarantees.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 539)

NOTICE IS HEREBY GIVEN that the special general meeting of Victory City International Holdings Limited (“**Company**”) will be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, Hong Kong at 10:00 a.m. on Wednesday, 17 October 2007 to transact the following special businesses:

ORDINARY RESOLUTION

“**THAT** each of the following guarantees be and is hereby approved and that the directors (“**Directors**”) of the Company be and are hereby authorised to do for and on behalf of the Company all such further acts and things and execute all such documents (including the following guarantees to be given by the Company) for and on behalf of the Company by hand or under seal, which in their opinion, may be necessary, desirable or expedient to carry into effect the transactions therein contemplated and all other matters in relation thereto or in connection therewith:

- (a) the continuing guarantee and indemnity to be given by each of the Company and Victory City Company Limited, a wholly-owned subsidiary of the Company, for an unlimited amount in favour of DBS Bank (Hong Kong) Limited to secure the facilities of up to HK\$70 million made available by DBS Bank (Hong Kong) Limited to Ford Glory International Limited (“**Ford Glory**”), a 51% owned subsidiary of the Company, on 13 December 2006;
- (b) the corporate guarantee to be provided by the Company for HK\$50 million together with accrued interest in favour of Wing Hang Bank Limited to secure the renewed and revised facilities to the extent of HK\$50.4 million to be extended by Wing Hang Bank Limited to Ford Glory on 9 January 2007;
- (c) the unconditional 100% continuing guarantee to be executed by the Company in favour of Bank of America, N.A. to secure the obligations of Ford Glory in respect of the facilities of up to US\$20 million (equivalent to approximately HK\$156 million) to be extended by Bank of America, N.A. to Ford Glory on 13 March 2007;
- (d) the deed of guarantee and indemnity to be executed by the Company for HK\$50 million in favour of BNP Paribas, Hong Kong Branch to secure the facilities of up to HK\$50 million placed by BNP Paribas, Hong Kong Branch at the disposal of Ford Glory on 11 April 2007;

* *For identification purposes only*

NOTICE OF SGM

- (e) the deed of guarantee to be executed by each of the Company and Victory City Overseas Limited, a wholly-owned subsidiary of the Company, for HK\$80 million in favour of Hang Seng Bank Limited to secure the facilities of up to HK\$130 million offered by Hang Seng Bank Limited to Ford Glory on 25 June 2007;
- (f) the unlimited deed of guarantee to be executed by each of the Company and Ford Glory in favour of Hang Seng Bank Limited in respect of the facilities of up to HK\$20 million offered by Hang Seng Bank Limited to Glory Time Limited, a 70% owned subsidiary of Ford Glory Holdings Limited which is a 51% owned subsidiary of the Company, on 25 June 2007 for all sums due owing and/or payable to Hang Seng Bank Limited by Glory Time Limited together with accrued interest and all commissions, fees, costs, expenses, disbursements and payment liable to be reimbursed or otherwise payable to Hang Seng Bank Limited;
- (g) the corporate guarantee to be provided by the Company for US\$8 million (equivalent to approximately HK\$62.4 million) in favour of The Hongkong and Shanghai Banking Corporation Limited to secure the facilities of up to US\$8 million (equivalent to approximately HK\$62.4 million) (or its equivalent amount in HK\$) agreed to be granted by The Hongkong and Shanghai Banking Corporation Limited to Ford Glory on 10 July 2007; and
- (h) the continuing corporate guarantee (“**BOC Guarantee**”) to be given by the Company in favour of Bank of China (Hong Kong) Limited in respect of the facilities (“**BOC Facilities**”) of up to HK\$40 million granted by Bank of China (Hong Kong) Limited to Ford Glory on 26 July 2007 for HK\$40 million together with accrued interest and all commissions, fees, costs, expenses, disbursements and payment payable to or recoverable by Bank of China (Hong Kong) Limited under the BOC Facilities and the BOC Guarantee.”

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

Hong Kong, 25 September 2007

NOTICE OF SGM

Registered office:

Clarendon House
Church Street
Hamilton HM11
Bermuda

Head office and principal place

of business in Hong Kong:
Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
New Territories
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares and entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time of the meeting or any adjourned meeting.
3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The above resolution will be voted on by way of poll. Mr. Choi Lin Hung and his associates will abstain from voting on the above resolution.
6. As at the date of this notice, the board of directors of the Company comprises Mr Li Ming Hung, Mr Chen Tien Tui, Mr So Kam Wah, Mr Lee Yuen Chiu, Andy and Mr Choi Lin Hung as executive directors and Mr Kan Ka Hon, Mr Phaisalakani Vichai and Mr Kwok Sze Chi as independent non-executive directors.