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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: 0539)

### **PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES**

**Placing Agent**



**UBS** Investment  
Bank

**UBS AG**

On 15 February 2006, the Placing Agreement was entered into between the Vendors, the Selling Shareholder, the Placing Agent and the Company, pursuant to which the Placing Agent has conditionally agreed to place, on a fully underwritten basis, 60,000,000 Placing Shares held by the Vendors and 8,000,000 Placing Shares held by the Selling Shareholder to independent third parties who are independent of and not connected and not acting in concert with the Vendors, the Selling Shareholder and their respective concert parties, the Directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates at HK\$2.93 per Placing Share. The Placing is subject to various conditions set out below under the heading "Conditions of the Placing".

On the same day, the Subscription Agreement was entered into between the Vendors and the Company, pursuant to which the Vendors have conditionally agreed to subscribe for the Subscription Shares (the number of which is equivalent to the Placing Shares sold by the Vendors) at HK\$2.93 per Subscription Share. The Subscription is subject to various conditions set out below under the heading "Conditions of the Subscription".

The price per Placing Share represents (i) a discount of approximately 7.0% to the closing price of HK\$3.15 per Share as quoted on the Stock Exchange at 4:00 p.m. on 15 February 2006; (ii) a discount of approximately 3.1% to the average closing price of HK\$3.025 per Share as quoted on the Stock Exchange for the last five trading days up to and including 14 February 2006, being the last trading day prior to the date of this announcement; and (iii) a premium of approximately 1.1% over the average closing price of HK\$2.8975 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 14 February 2006, being the last trading day prior to the date of this announcement.

The Placing Shares represent approximately 11.84% of the existing issued share capital of the Company and approximately 10.72% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Placing will reduce the aggregate shareholding of the Vendors and parties acting in concert with them from about 35.17% to approximately 24.72% of the existing issued share capital of the Company.

The Subscription will then increase the aggregate shareholding of the Vendors and parties acting in concert with them to approximately 31.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares or approximately 32.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Scrip Shares thereby triggering a general offer obligation. An application will be made by the Vendors to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Code as a result of the Subscription. An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 25 August 2005.

The gross proceeds will be HK\$175.8 million. The net proceeds from the Subscription, assuming that the 60,000,000 existing Shares are fully placed, are estimated to be approximately HK\$170 million. The Company intends to use approximately 50% of the net proceeds to finance the expansion of the existing production facilities, approximately 30% as general working capital of the Group and approximately 20% for repayment of bank borrowings owed by the Group.

## **1. The Placing**

The Placing Agreement dated 15 February 2006 was entered into between the Company, the Vendors, the Selling Shareholder and the Placing Agent.

### **Vendors:**

- (1) Pearl Garden, a company incorporated in the British Virgin Islands which is ultimately beneficially owned by a discretionary trust, the objects of which include the family members of Mr. Li Ming Hung, one of the executive Directors; and
- (2) Madian Star, a company incorporated in the British Virgin Islands which is ultimately beneficially owned by a discretionary trust, the objects of which include the family members of Mr. Chen Tien Tui, one of the executive Directors.

Both Pearl Garden and Madian Star are the substantial shareholders of the Company. Each of Pearl Garden and Madian Star currently owns 91,962,000 Shares, representing approximately 16.01% of the existing issued share capital of the Company of 574,319,658 Shares as at the date of this announcement. In aggregate, the Vendors are interested in approximately 32.02% of the existing issued share capital of the Company.

Mr. Li Ming Hung and Mr. Chen Tien Tui are beneficial owners of 8,712,000 Shares and 9,330,000 Shares respectively, representing approximately 1.52% and 1.62% respectively of the existing issued share capital of the Company.

The Vendors and the parties acting in concert with them are together interested in approximately 35.17% of the existing issued share capital of the Company.

### **Selling Shareholder:**

The Selling Shareholder is Mr. Sy Wing Shuen, an employee of the Group who is not connected with the Directors, chief executive or substantial shareholders of the Company, its subsidiaries or their respective associates or acting in concert with the Vendors and their respective concert parties. The Selling Shareholder will place 8,000,000 Shares under the Placing, representing approximately 1.39% of the existing issued share capital of the Company and approximately 1.26% of the issued share capital of the Company as enlarged by the Subscription. The cost and expenses incurred from the Placing of Shares held by the Selling Shareholder will be borne by the Selling Shareholder.

### **Number of Placing Shares:**

The Placing Agent has agreed to procure on a fully underwritten basis places for, or failing which itself to purchase, 60,000,000 Shares owned by the Vendors and 8,000,000 Shares owned by the Selling Shareholder, together representing approximately 11.84% of the existing issued share capital of 574,319,658 Shares as at the date of this announcement or approximately 10.72% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription or approximately 10.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription Agreement and the Scrip Shares.

**Placees:**

Six or more independent private individual and institutional investors who are independent of and not connected nor acting in concert with the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or associated companies, or any of their respective associates, or the Vendors or parties acting in concert with any of them.

**Placing price:**

HK\$2.93 per Placing Share.

The net price per Placing Share is estimated to be HK\$2.83.

This price was agreed after arm's length negotiations between the Vendors, the Selling Shareholder, the Placing Agent and the Company with reference to recent market prices of the Shares. This price represents (i) a discount of approximately 7.0% to the closing price of HK\$3.15 per Share at 4:00 p.m. on 15 February 2006, being the last trading day immediately prior to this announcement; (ii) a discount of approximately 3.1% to the average closing price of HK\$3.025 per Share as quoted on the Stock Exchange for the last five trading days up to and including 14 February 2006, being the last trading day prior to the date of this announcement, and (iii) a premium of approximately 1.1% over the average closing price of HK\$2.8975 per Share as quoted on the Stock Exchange up to and including 14 February 2006, being the last ten trading days immediately prior to the date of this announcement.

**Placing Agent:**

UBS AG

**Independence of placees and placing agent:**

The placees and (where applicable) their ultimate beneficial owners will be, and the Placing Agent and its beneficial owners are, independent of and not connected to nor acting in concert with the Vendors or any persons acting in concert with them. The placees and (where applicable) their ultimate beneficial owners and the Placing Agent and its beneficial owners are also independent of and not connected to nor acting in concert with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their associates.

To the best knowledge of the Directors, none of the placees will become substantial shareholders (as defined under the Listing Rules) of the Company immediately following the Placing.

**Conditions of the Placing:**

The completion of the Placing is conditional upon:

- (i) each of the Vendors has entered into the Subscription Agreement with the Company and such Subscription Agreement not subsequently having been revoked, terminated or modified (save as agreed by the Placing Agent);
- (ii) there not having come to the attention of the Placing Agent at any time prior to the completion of the Placing (a) any material breach of, or any event rendering untrue, incorrect or breached in any material respect, any of the representations, warranties or undertakings given by the Vendors, the Selling Shareholder or the Company under the Placing Agreement or (b) any material breach of, or material failure to perform, any of the other material obligations by the Company, the Selling Shareholder or the Vendors which are required to be performed at or before the completion of the Placing;
- (iii) there not having occurred:
  - (a) any event, or series of events, beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, terrorism, outbreak or escalation of hostilities (whether local, national or international), acts of war and acts of God);
  - (b) any material adverse change, or development (including, without limitation, the introduction of any new law or regulation or change in existing laws or regulations (or the judicial interpretation thereof) or any other similar event) (whether or not permanent) involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company or the Group as a whole, whether or not arising in the ordinary course of business;

- (c) any material adverse change or any development (whether or not permanent) involving a prospective material adverse change or any crisis in local, national or international monetary, financial, economic, legal, taxation or political conditions (including, without limitation, conditions in the stock market, in the foreign exchange market, inter-bank market, money market and conditions with respect to interest rates in Hong Kong or otherwise) or foreign exchange controls in Hong Kong and overseas or any occurrence of a combination of any such changes or developments or crises or any deterioration of any such conditions,

which, in the reasonable opinion of the Placing Agent is likely to prejudice materially the success of the Placing; and

- (iv) there not having been imposed any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the completion of the Placing.

As at the date of this announcement, condition (i) above has been fulfilled. Conditions (ii) to (iv) may be waived by the Placing Agent in accordance with the Placing Agreement.

### **Completion of the Placing:**

Under the Placing Agreement, subject to the fulfillment or waiver of the conditions above, the Placing is agreed to be completed on 20 February 2006 or such other time as the Vendors and the Placing Agent shall agree. If the conditions to the Placing Agreement are not fulfilled or waived by the Placing Agent within the time specified above (or such later date as may be agreed by the Placing Agent and the Vendors), the Placing will lapse.

### **Rights of the Placing Shares**

The Placing Shares will be sold by the Vendors and the Selling Shareholder free of liens, charges, encumbrances and any third party rights and together with all rights attaching thereto at the date of the Placing Agreement (other than the entitlement to the Scrip Shares).

### **Lock up**

Pursuant to the Placing Agreement, the Vendors have undertaken to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and on or prior to the date falling 90 days after the date of the Placing Agreement, they will not and will procure that none of their nominees, companies controlled by them or trusts associated with them (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

The Company has also undertaken to the Placing Agent that (except for (i) the Subscription Shares (ii) any new Shares to be issued pursuant to the existing employee share options of the Company in issue as at the date of the Placing Agreement and (iii) any Shares or other securities or rights issued or granted to Shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with its bye-laws or on the exercise of rights existing at the date of the Placing Agreement) from the date of the Placing Agreement and on and prior to the date being 90 days after the date of the Placing Agreement, it will not (without the prior written consent of the Placing Agent) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

## 2. The Subscription

The Subscription Agreement dated 15 February 2006 was entered into between the Company and the Vendors.

### **Subscribers:**

The Vendors

### **Number of Subscription Shares:**

The Company will allot and issue and the Vendors will subscribe for a total of 60,000,000 new Shares, representing approximately 10.45% of the existing issued share capital of the Company as at the date of this announcement or approximately 9.46% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription or approximately 9.32% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription and the Scrip Shares.

### **Subscription price:**

HK\$2.93 per Subscription Share, which is the equivalent of the price per Placing Share.

### **Mandate to allot and issue new Shares:**

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of its Shareholders passed at the annual general meeting of the Company held on 25 August 2005. The Company is authorised to issue 113,454,371 Shares under such mandate and the Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the Placing and the Subscription.

### **Ranking:**

The Subscription Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of such allotment and issue pursuant to the Subscription Agreement.

### **Conditions of the Subscription:**

The Subscription is conditional upon, among other conditions:

- (i) completion of the Placing pursuant to the Placing Agreement;
- (ii) the Stock Exchange granting (subject only to allotment) listing of, and permission to deal in, all the Subscription Shares;
- (iii) (if required) the Executive having granted a waiver to the Vendors from their obligation to make a general offer for the Shares under the Code arising from the Subscription; and
- (iv) (if so required) the Bermuda Monetary Authority granting permission for the allotment and issue of the Subscription Shares.

None of the above conditions can be waived by the parties to the Subscription Agreement.

The shareholdings of the Vendors and parties acting in concert with them will decrease from approximately 35.17% to approximately 24.72% immediately after completion of the Placing and will increase back to approximately 31.84% immediately after completion of the Subscription. Such changes in shareholding will trigger an obligation to make a general offer under the Code. An application will be made by the Vendors to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Code as a result of the Subscription.

### **Completion of the Subscription:**

Completion of the Subscription will take place on the next business day following the day on which the conditions referred to above are fulfilled.

If the conditions to the Subscription are not fulfilled on or before 28 February 2006 which is 14 days from the date of the Subscription Agreement (or such later date as may be agreed by the parties), the Subscription will lapse. If the date of completion of the Subscription is to be extended beyond 28 February 2006, the Subscription will constitute a connected transaction under the Listing Rules which will require the approval of the independent Shareholders and the Company will take steps to ensure compliance with the Listing Rules. Further announcement will be made as and when appropriate.

**Changes to the shareholding as a result of the Placing and the Subscription:**

The shareholding of the Vendors, parties acting in concert with them and the Selling Shareholder in the Company immediately before the Placing, immediately after the Placing but before the Subscription, and immediately after the Placing and the Subscription are as follows:

	Existing Shareholding		After the Placing but before the Subscription (Note 1)		After the Placing and the Subscription (Note 1)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Pearl Garden</b>	91,962,000	16.01	61,962,000	10.79	91,962,000	14.50
<b>Madian Star</b>	91,962,000	16.01	61,962,000	10.79	91,962,000	14.50
<i>Concert parties of the Vendors:</i>						
<b>Mr. Li Ming Hung</b>	8,712,000	1.52	8,712,000	1.52	8,712,000	1.37
<b>Mr. Chen Tien Tui</b>	9,330,000	1.62	9,330,000	1.62	9,330,000	1.47
	<u>201,966,000</u>	<u>35.17</u>	<u>141,966,000</u>	<u>24.72</u>	<u>201,966,000</u>	<u>31.84</u> (Note 2)
<i>Selling Shareholder:</i>						
<b>Mr. Sy Wing Shuen</b>	<u>10,385,702</u>	<u>1.81</u>	<u>2,385,702</u>	<u>0.42</u>	<u>2,385,702</u>	<u>0.38</u>
<b>Sub-total</b>	<u>212,351,702</u>	<u>36.97</u>	<u>144,351,702</u>	<u>25.13</u>	<u>204,351,702</u>	<u>32.22</u>
<b>Placees</b>	–	–	68,000,000	11.84	68,000,000	10.72
<b>Public</b>	<u>361,967,956</u>	<u>63.03</u>	<u>361,967,956</u>	<u>63.03</u>	<u>361,967,956</u>	<u>57.06</u>
<b>Total</b>	<u><u>574,319,658</u></u>	<u><u>100</u></u>	<u><u>574,319,658</u></u>	<u><u>100</u></u>	<u><u>634,319,658</u></u>	<u><u>100</u></u>

Notes:

- Assuming that the Placing and the Subscription are completed before the allotment and issue of the Scrip Shares.
- Taking into account the Scrip Shares, each of Pearl Garden and Madian Star will hold 94,462,000 Shares, representing approximately 14.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Scrip Shares, and Mr. Li Ming Hung and Mr. Chen Tien Tui will hold 8,712,000 Shares and 9,330,000 Shares respectively, representing approximately 1.35% and 1.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Scrip Shares. The aggregate number of Shares then held by Pearl Garden, Madian Star, Mr. Li Ming Hung and Mr. Chen Tien Tui will be 206,966,000, representing approximately 32.16% of such issued share capital of the Company.

An application will be made by the Vendors to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Code as a result of the Subscription. An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

**Reasons for the Placing and Subscription and use of proceeds:**

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to enhance the capital base of the Company. The Directors (including the independent non-executive Directors) consider the terms of the Placing Agreement and the Subscription Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Shareholders are concerned.

The gross proceeds will be HK\$175.8 million. The net proceeds, after deducting related placing commission, professional fees and all related expenses which will be borne by the Company, under the Subscription are estimated to be approximately HK\$170 million. The Company intends to use approximately 50% of the net proceeds to finance the expansion of the Group's existing production facilities, approximately 30% as general working capital of the Group and approximately 20% for repayment of bank borrowings owed by the Group.

## General information

The Group is principally engaged in the production and sale of knitted fabric and dyed yarn, manufacturing and trading of garment products and provision of quality inspection services. The Group has not conducted any equity fund raising activities in the past 12 months from the date of this announcement.

## Application for listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

## Definitions

The following defined terms are used in this announcement:

“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	Victory City International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madian Star”	Madian Star Limited, a company incorporated in the British Virgin Islands with limited liability, ultimately beneficially owned by a discretionary trust, the objects of which include the family members of Mr. Chen Tien Tui
“Pearl Garden”	Pearl Garden Pacific Limited, a company incorporated in the British Virgin Islands with limited liability, ultimately beneficially owned by a discretionary trust, the objects of which include the family members of Mr. Li Ming Hung
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	UBS AG, a registered institution under the Securities and Futures Ordinance (Chapter 571 of the Hong Kong Laws) to carry out type 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance), 7 (providing automated trading services) and 9 (asset management) regulated activities
“Placing Shares”	a total of 68,000,000 Shares beneficially owned as to 30,000,000 Shares by Pearl Garden, as to 30,000,000 Shares by Madian Star and as to 8,000,000 Shares by the Selling Shareholder to be placed pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 15 February 2006 between the Company, the Vendors, the Selling Shareholder and the Placing Agent
“Scrip Shares”	the 9,281,475 scrip shares to be allotted and issued by the Company as announced by the Company on 16 January 2006
“Selling Shareholder”	Mr. Sy Wing Shuen, an employee of the Group
“Share(s)”	ordinary share(s) of HK\$0.01 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares to be subscribed for by the Vendors pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 15 February 2006 between the Company and the Vendors
“Subscription Shares”	a total of 60,000,000 new Shares, being the number of Shares placed out by the Vendors pursuant to the Placing Agreement
“Vendors”	Pearl Garden and Madian Star
“%”	per cent.

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

Hong Kong, 15 February 2006

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

*Executive Directors:*

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

*Independent non-executive Directors*

Kan Ka Hon  
Phaisalakani Vichai  
Lau Chung Kwan

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any of their statements in this announcement misleading.*

\* *For identification purposes only*

Please also refer to the published version of this announcement in The Standard.