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VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE AT HK\$0.140 PER RIGHTS SHARE

Underwriter to the Rights Issue



KINGSTON SECURITIES

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

BALLAS
C A P I T A L

PROPOSED RIGHTS ISSUE

The Board proposed to raise gross proceeds of approximately HK\$217.5 million on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date by issuing 1,553,823,962 Rights Shares at the Subscription Price of HK\$0.140 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The estimated net proceeds (after the deduction of the costs and expenses which the Company will incur in the Rights Issue) will be approximately HK\$212.2 million (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue (i) for the repayment of bank loans; and (ii) as general working capital of the Group.

Shareholder Irrevocable Undertakings, Director Irrevocable Undertakings, Bondholder's Undertakings, Optionholder's Undertakings and the Underwriting Agreement

As at the date of this announcement, the Committed Shareholders are beneficially interested in an aggregate of 211,783,800 Shares, representing approximately 27.26% of the existing issued share capital of the Company. Pursuant to the Shareholder Irrevocable Undertakings, the Committed Shareholders have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, (i) accept their entitlements to the provisional allotment of an aggregate of 423,567,600 Rights Shares, respectively; (ii) not to sell or transfer the Shares held by them in any manner before the completion or lapse of the Rights Issue; and (iii) not to apply for any Rights Shares in excess of those provisionally allotted to each of them.

As at the date of this announcement, Mr. Phaisalakani Vichai is beneficially interested in 1,248,000 Shares, representing approximately 0.16% of the existing issued share capital of the Company. Pursuant to the Director Irrevocable Undertakings, the Undertaking Directors have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, (i) not to sell or transfer the Shares held by them in any manner before the completion or lapse of the Rights Issue; and (ii) not to apply for any Rights Shares in excess of those provisionally allotted to each of them.

As at the date of this announcement, (i) Pearl Garden and Madian Star are the holders of the June Convertible Bonds in the amount of HK\$400,000,000 in aggregate, which 377,358,490 Shares will be issued upon exercise of the conversion rights under the June Convertible Bonds in full at the adjusted conversion price of HK\$1.06 per conversion Share; (ii) Mr. Wang Chia Po is the holder of the August Convertible Bonds in the amount of HK\$64,000,000, which 100,000,000 Shares will be issued upon exercise of the conversion rights under the August Convertible Bonds in full at the initial conversion price of HK\$0.64 per conversion Share; and (iii) Mr. Wong Shu Fat is the holder of the October Convertible Bonds in the amount of HK\$65,000,000, which 100,000,000 Shares will be issued upon exercise of the conversion rights under the October Convertible Bonds in full at the initial conversion price of HK\$0.65 per conversion Share. Pursuant to the Bondholder's Undertakings, each of Pearl Garden, Madian Star, Mr. Wang Chia Po and Mr. Wong Shu Fat has provided irrevocable and unconditional undertakings to the Company and the Underwriter not to exercise the conversion rights attached to their respective Convertible Bonds before the Record Date.

As at the date of this announcement, each of the holders of the Share Options has signed an Optionholder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

On 11 May 2020 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite 1,130,256,362 Rights Shares subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "The Underwriting Agreement" in this announcement.

Listing Rules implications

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A(1) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, the Company has no controlling Shareholder. The Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates, who are interested in 211,783,800 Shares in aggregate (representing approximately 27.26% of the total number of Shares in issue as at the date of this announcement), shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules.

Save for (i) the June Convertible Bonds which was issued on 28 June 2019; and (ii) the December Rights Issue which was announced by the Company on 18 December 2019 and was not completed, the Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own or in aggregate with the June Convertible Bonds.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue (including the Underwriting Agreement). Ballas Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue (including the Underwriting Agreement), and as to voting.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated hereunder. A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the SGM, is expected to be despatched to the Shareholders on or before Tuesday, 9 June 2020.

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Wednesday, 15 July 2020.

WARNING OF THE RISKS OF DEALING IN THE SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

PROPOSED RIGHTS ISSUE

The Board proposed to raise gross proceeds of approximately HK\$217.5 million on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date by issuing 1,553,823,962 Rights Shares at the Subscription Price of HK\$0.140 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

On 11 May 2020 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue : Two (2) Rights Shares for every one (1) Share held at the close of business on the Record Date

Subscription Price	:	HK\$0.140 per Rights Share
Number of Shares in issue as at the date of this announcement	:	776,911,981 Shares
Number of Rights Shares	:	1,553,823,962 Rights Shares with an aggregate nominal value of HK\$155,382,396.20, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	2,330,735,943 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Amount to be raised	:	Approximately HK\$217.5 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the date of this announcement, there are (i) 25,555,423 outstanding Share Options, which are exercisable during the period from 12 October 2016 to 11 October 2021; (ii) 38,304,576 outstanding Share Options, which are exercisable during the period from 18 April 2019 to 17 April 2024; (iii) the June Convertible Bonds in the amount of HK\$400,000,000 in aggregate, which 377,358,490 Shares will be issued upon exercise of the conversion rights under the June Convertible Bonds in full at the adjusted conversion price of HK\$1.06 per conversion Share; (iv) the August Convertible Bonds in the amount of HK\$64,000,000, which 100,000,000 Shares will be issued upon exercise of the conversion rights under the August Convertible Bonds in full at the initial conversion price of HK\$0.64 per conversion Share; and (v) the October Convertible Bonds in the amount of HK\$65,000,000, which 100,000,000 Shares will be issued upon exercise of the conversion rights under the October Convertible Bonds in full at the initial conversion price of HK\$0.65 per conversion Share.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 200.00% of the Company's issued share capital as at the date of this announcement and approximately 66.67% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 7 July 2020.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 7 July 2020.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company.

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 24 June 2020 to Thursday, 2 July 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

The register of members of the Company will be closed from Wednesday, 8 July 2020 to Tuesday, 14 July 2020 (both dates inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

Basis of provisional allotments

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders. As at the date of this announcement, there was no Overseas Shareholder.

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form during the period from Friday, 17 July 2020 to Friday, 24 July 2020 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Excluded Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.140 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 30.35% to the closing price of HK\$0.201 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 12.50% to the theoretical ex-rights price of approximately HK\$0.160 per Share based on the closing price of HK\$0.201 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 29.29% to the average of the closing prices of approximately HK\$0.198 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 29.29% to the average of the closing prices of HK\$0.198 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 98.40% to the unaudited net asset value per Share of approximately HK\$8.724 (based on the latest published consolidated net asset value of the Group of approximately HK\$6,777,624,000 as at 30 September 2019 as disclosed in the interim report of the Company for the six months ended 30 September 2019 and 776,911,981 Shares in issue as at the date of this announcement);
- (f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 20.40%, represented by the theoretical diluted price of approximately HK\$0.160 per Share to the benchmarked price of approximately HK\$0.201 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.201 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.197 per Share); and
- (g) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of the Rights Issue and the June Convertible Bonds of approximately 16.21%.

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account, among others, the following factors: (i) the prevailing share price of the Company; (ii) the latest business performance and financial position of the Group; and (iii) the funding and capital needs of the Company.

In determining the terms of the Rights Issue, the Company strives to set a reasonable subscription price that reflects a balance between the inherent value and the market price of the Shares. While the Rights Issue is fully underwritten by the Underwriter, an existing Shareholder may make an informed decision in electing to accept or decline part of or all of his/her/its provisional allotment of nil paid Rights Shares. The Underwriter would be accepting the Rights Shares on the same price as any other Qualifying Shareholder.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) are of the view that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally.

The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) will be approximately HK\$0.137.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Fractions of the Rights Shares

On the basis of provisional allotment of two Rights Shares for every one Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on or before Thursday, 6 August 2020 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on or before Thursday, 6 August 2020 by ordinary post to the applicants, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and for any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Wednesday, 29 July 2020.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (a) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (b) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (c) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and

- (d) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Right Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 4,000 Shares in one board lot.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders

should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

THE UNDERWRITING AGREEMENT

On 11 May 2020 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by the Committed Shareholders pursuant to the Shareholder Irrevocable Undertakings.

Date : 11 May 2020 (after trading hours)

Underwriter : Kingston Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO.

To the best knowledge and information of the Directors, after reasonable enquiries, the Underwriter is independent of and not connected with the Company or its connected persons.

Total number of Rights Shares to be underwritten by the Underwriter : 1,130,256,362 Rights Shares (being all Rights Shares under the Rights Issue other than those Rights Shares to be taken up under the Shareholder Irrevocable Undertakings and assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date)

Commission : The Underwriter will receive 1.75% of the aggregate Subscription Price of the Underwritten Shares as underwriting commission

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiations between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) are of the view that the terms of the Underwriting

Agreement, including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Shareholder Irrevocable Undertakings

As at the date of this announcement, the Committed Shareholders are beneficially interested in an aggregate of 211,783,800 Shares, representing approximately 27.26% of the existing issued share capital of the Company. Pursuant to the Shareholder Irrevocable Undertakings, the Committed Shareholders have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, (i) accept their entitlements to the provisional allotment of an aggregate of 423,567,600 Rights Shares, respectively; (ii) not to sell or transfer the Shares held by them in any manner before the completion or lapse of the Rights Issue; and (iii) not to apply for any Rights Shares in excess of those provisionally allotted to each of them.

Save for the Shareholder Irrevocable Undertakings given by each of the Committed Shareholders, as at the date of this announcement, the Board has not received any information from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

The Director Irrevocable Undertakings

As at the date of this announcement, Mr. Phaisalakani Vichai is beneficially interested in 1,248,000 Shares, representing approximately 0.16% of the existing issued share capital of the Company. Pursuant to the Director Irrevocable Undertakings, the Undertaking Directors have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, (i) not to sell or transfer the Shares held by them in any manner before the completion or lapse of the Rights Issue; and (ii) not to apply for any Rights Shares in excess of those provisionally allotted to each of them.

The Bondholder's Undertakings

As at the date of this announcement:

- (i) Pearl Garden and Madian Star are the holders of the June Convertible Bonds in the amount of HK\$400,000,000 in aggregate, which 377,358,490 Shares will be issued upon exercise of the conversion rights under the June Convertible Bonds in full at the adjusted conversion price of HK\$1.06 per conversion Share;
- (ii) Mr. Wang Chia Po is the holder of the August Convertible Bonds in the amount of HK\$64,000,000, which 100,000,000 Shares will be issued upon exercise of the conversion rights under the August Convertible Bonds in full at the initial conversion price of HK\$0.64 per conversion Share; and

- (iii) Mr. Wong Shu Fat is the holder of the October Convertible Bonds in the amount of HK\$65,000,000, which 100,000,000 Shares will be issued upon exercise of the conversion rights under the October Convertible Bonds in full at the initial conversion price of HK\$0.65 per conversion Share.

Pursuant to the Bondholder's Undertakings, each of Pearl Garden, Madian Star, Mr. Wang Chia Po and Mr. Wong Shu Fat has provided irrevocable and unconditional undertakings to the Company and the Underwriter not to exercise the conversion rights attached to their respective Convertible Bonds before the Record Date.

The Optionholder's Undertakings

As at the date of this announcement, each of the holders of the Share Options has signed an Optionholder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination,

- (A) one or more of the following events or matters shall occur, arise, exist, or come into effect:
- (i) the introduction of any new regulation or any change in existing laws or regulation (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
 - (iii) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;
 - (v) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;

- (vi) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant to any member of the Group and a change in currency conditions includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the US) occurs; or
- (vii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company,

which event or events is or are in the absolute opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;
 - (b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
 - (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue;
- (B) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (C) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter or the Company.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (a) the Independent Shareholders passing the ordinary resolutions at the SGM to approve (i) the Rights Issue; and (ii) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to authorising the Directors to allot and issue the Rights Shares (in their nil-paid and fully-paid forms));
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;
- (c) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus for information only to the Excluded Shareholders, if any, by no later than the Posting Date;
- (e) each of the Committed Shareholders complying with his/its obligations under their respective Shareholder Irrevocable Undertaking;
- (f) each of the Undertaking Directors complying with his obligations under their respective Director Irrevocable Undertaking;
- (g) each of Pearl Garden, Madian Star, Mr. Wang Chia Po and Mr. Wong Shu Fat complying with his/its obligations under their respective Bondholder's Undertaking;
- (h) each of the holders of the Share Options complying with his/her obligations under their respective Optionholder's Undertaking;
- (i) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (j) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination; and
- (k) there being no Specified Event occurring on or before the Latest Time for Termination.

The conditions precedent set out in paragraphs (a) to (h) above are incapable of being waived by the Underwriter and the Company. The Underwriter may waive the condition precedent set out in paragraphs (j) and (k) in whole or in part by written notice to the Company.

If the conditions precedent set out in the above paragraphs are not satisfied (or in respect of paragraphs (j) and (k), waived in whole or in part by the Underwriter) on or before the Latest Time of Termination and/or paragraph (j) and (k) do not remain fulfilled (unless waived by the Underwriter) up to the Latest Time for Termination, the Underwriting Agreement shall terminate (save in respect of the provisions in relation to fees and expenses, indemnity, notices and governing law and any rights or obligations which have accrued under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed. The Shareholder Irrevocable Undertakings, Director Irrevocable Undertakings, Bondholder's Undertakings and Optionholder's Undertakings shall lapse upon termination of the Underwriting Agreement.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	2020
Announcement of the Rights Issue	Monday, 11 May
Expected despatch date of circular with notice and form of proxy for the SGM	on or before Tuesday, 9 June
Latest time for lodging transfers of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Tuesday, 23 June
Closure of register of members of the Company for attending the SGM (both days inclusive)	Wednesday, 24 June to Thursday, 2 July
Latest time for lodging forms of proxy for the purpose of the SGM	10:00 a.m. on Tuesday, 30 June
Record date for determining attendance and voting at the SGM	Thursday, 2 July
Expected date and time of the SGM	10:00 a.m. on Thursday, 2 July

Event	2020
Announcement of poll results of the SGM.	Thursday, 2 July
Last day of dealings in Shares on a cum-rights basis	Friday, 3 July
First day of dealings in Shares on an ex-rights basis.	Monday, 6 July
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 7 July
Closure of register of members of the Company for the Rights Issue (both dates inclusive).	Wednesday, 8 July to Tuesday, 14 July
Record Date for determining entitlements to the Rights Issue	Tuesday, 14 July
Register of members of the Company re-opens	Wednesday, 15 July
Despatch of Prospectus Documents	Wednesday, 15 July
First day of dealings in nil-paid Rights Shares.	9:00 a.m. on Friday, 17 July
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 21 July
Latest time of dealings in nil-paid Rights Shares	4:10 p.m. on Friday, 24 July
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares.	4:00 p.m. on Wednesday, 29 July
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional.	4:00 p.m. on Thursday, 30 July
Announcement of results of the Rights Issue	Wednesday, 5 August
Refund cheques, if any, to be despatched (if the Rights Issue is terminated and in respect of unsuccessful or partially successful application for excess Rights Shares).	on or before Thursday, 6 August

Certificates for fully paid Rights Shares to be despatched on or before Thursday, 6 August

Commencement of dealings in fully-paid Rights Shares 9:00 a.m. on Friday, 7 August

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 776,911,981 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the date of this announcement to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Committed Shareholders who have provided Shareholder Irrevocable Undertakings:

Name of Shareholders	As at the date of this announcement		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Committed Shareholders who have provided Shareholder Irrevocable Undertakings (Note 6)	
	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)
Committed Shareholders						
Pearl Garden (Note 2)	104,567,400	13.46	313,702,200	13.46	313,702,200	13.46
Madian Star (Note 3)	104,567,400	13.46	313,702,200	13.46	313,702,200	13.46
Mr. Chen (Note 4)	549,000	0.07	1,647,000	0.07	1,647,000	0.07
Mr. Choi (Note 4)	2,100,000	0.27	6,300,000	0.27	6,300,000	0.27
Sub-total of Committed Shareholders	211,783,800	27.26	635,351,400	27.26	635,351,400	27.26
Mr. Phaisalakani Vichai (Note 4)	1,248,000	0.16	3,744,000	0.16	1,248,000	0.05
Underwriter (Note 6)	—	—	—	—	1,130,256,362	48.49
Mr. Wang Guo Feng (Note 5)	71,388,000	9.19	214,164,000	9.19	71,388,000	3.06
Other public shareholders	492,492,181	63.39	1,477,476,543	63.39	492,492,181	21.14
Total	776,911,981	100.00	2,330,735,943	100.00	2,330,735,943	100.00

Notes:

1. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
2. Pearl Garden is wholly-owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li's family members.
3. Madian Star is wholly-owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen's family members.
4. Mr. Chen and Mr. Choi are executive Directors, and Mr. Phaisalakani Vichai is an independent non-executive Director.
5. Based on the disclosure of interests form filed by Mr. Wang Guo Feng on 7 May 2020, Mr. Wang Guo Feng was the beneficial owner of 29,068,000 Shares and was deemed to be interested in (i) 27,660,000 Shares which were held by Forever Green Ltd, a company owned by the trustee of a discretionary trust of which Mr. Wang Guo Feng was the founder; and (ii) 14,660,000 Shares owned by Ms. Pong Kwong Fai, the spouse of Mr. Wang Guo Feng.
6. This scenario is for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that, among others, (i) the public float requirements under the Listing Rules be fulfilled by the Company upon completion of the Rights Issue; (ii) it shall not, together with party(ies) acting in concert with it, hold 20% or more of the voting rights of the Company upon completion of the Rights Issue; and (iii) sub-underwriters and placees procured by them, together with parties acting in concert with each of them, will not own 10% or more of the voting rights of the Company upon completion of the Rights Issue.

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

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries are production of and sale of knitted fabric and dyed yarn and garment products.

References are made to the announcement of the Company dated 18 December 2019 and the circular of the Company dated 7 February 2020 in relation to the December Rights Issue. The Group has planned to construct a manufacturing base in Bangladesh for fabric production (the "**Expansion**"). Since January 2020, the unexpected outbreak of COVID-19 has interrupted operation of many companies and has caused great impact on the global economy. As a result, the management noticed that some customers are experiencing financial difficulties due to the COVID-19, leading to the delay in repayment of the Group's receivables. Most of the Group's customers have requested a delay in repayment of the Group's receivables for at least 60 days. As a result, the Group's trade and bills receivables increased by approximately 12.8% from

approximately HK\$1,788 million as at 30 September 2019 to approximately HK\$2,017 million as at 29 February 2020 (based on the management accounts of the Group). In addition, as a result of suspension of business operation of corporations across the world, the Group has experienced an increase in cancellation of orders and delay in shipment of goods, which further exacerbated the cash outflow position of the Group. Given the recent unpredictability of the global economy, the COVID-19 outbreak, the customers' own situation, the cash outflow position of the Group, the management is of the view that more general working capital has to be reserved for our operation and there is no certainty when the Group's customers are able to fulfill their repayment obligations under the current economic environment to improve the cash outflow position. Accordingly, the management has decided to defer the Expansion. As the COVID-19 outbreak has caused a global recession and has significantly increased economic and demand uncertainty, the management cannot assess when the Expansion will be implemented or whether it will be implemented at all as at the date of this announcement. The management will closely monitor the economic impact caused by COVID-19 outbreak and will assess prudently the viability of the Expansion by considering the then economic environment in the future. In the event that the Expansion is resumed, subject to the then working capital of the Group, the Expansion will be financed by the net proceeds of (i) approximately HK\$157 million from the placing completed on 18 January 2018; (ii) approximately HK\$63.7 million from the August Convertible Bonds; (iii) approximately HK\$64.7 million from the October Convertible Bonds; and (iv) internal resources of the Group.

In addition, according to the Company's interim results for the six months ended 30 September 2019, the Company recorded bank balances and cash of approximately HK\$2,078 million and bank borrowings due within one year was approximately HK\$2,421 million as at 30 September 2019. Based on the management accounts of the Group, the Group's bank balances and cash amounted to approximately HK\$1,560 million and the bank borrowings due within one year amounted to approximately HK\$2,444 million as at 29 February 2020. The management of the Company considers that given that (i) its current low liquid capital position as compared to its bank borrowings due within one year; (ii) the decrease in bank balances and cash by approximately 24.9% from approximately HK\$2,078 million as at 30 September 2019 to approximately HK\$1,560 million as at 29 February 2020; (iii) the expected further decrease of the Group's bank balances and cash upon repayment of the syndicated loan of approximately HK\$300 million in each of June 2020 and December 2020, and approximately HK\$450 million in June 2021, totalling approximately HK\$1,050 million; (iv) unfavourable feedbacks from lenders in early 2020 in relation to the possibility of refinancing of the Group's existing bank borrowings due to the uncertainty in economic conditions arising from COVID-19; (v) delayed payment from the Group's customers as a result of COVID-19 which the Group is able to realise the Group's receivables to satisfy the Group's repayment obligations; (vi) the gearing ratio of the Group, being defined as net debt (representing total bank borrowings net of cash and cash equivalents) to shareholders' funds, was approximately 38.5% as at 30 September 2019; and (vii) the weakened global economy and the uncertainties over the outlook for 2020 pursuant to

the trade war between the US and China and the COVID-19, the management of the Company considers that fundraising is required to increase the cash of the Group in meeting the Group's repayment obligation when the Group's bank borrowings fall due.

The estimated gross proceeds and net proceeds (after the deduction of the costs and expenses which the Company will incur in the Rights Issue) amount to approximately HK\$217.5 million and HK\$212.2 million, respectively. The estimated expenses of the Rights Issue are approximately HK\$5.3 million, which include underwriting commission and professional fees payable to the financial advisers, legal counsels, financial printer and other parties involved in the Rights Issue and will be borne by the Company. The Company intends to apply the abovementioned net proceeds from the Rights Issue in the following manner:

- (i) approximately HK\$200 million for the repayment of bank loans; and
- (ii) approximately HK\$12.2 million as general working capital of the Group.

The Company proposed the December Rights Issue in December 2019 in order to raise new funding from the Shareholders. However, the December Rights Issue was not approved by the Independent Shareholders. Based on certain verbal feedback from the Independent Shareholders, while the Independent Shareholders noted the need for additional funding, some Independent Shareholders expressed the view that the subscription price of the December Rights Issue of HK\$0.270 per Share was higher than the market price of the Shares traded on the Stock Exchange in March 2020, which was trading in the range of HK\$0.188 per Share to HK\$0.255 per Share due to (i) the recent outbreak of COVID-19 that creates uncertainties in the economy; and (ii) the weakening of the investor sentiment in the financial market. Accordingly, the Board has adjusted the Subscription Price and considered that the current Subscription Price of HK\$0.140 per Rights Share, which was set at a discount to the recent market price of the Shares, is more attractive for Independent Shareholders as compared to that of the subscription price of HK\$0.270 per Share in the December Rights Issue.

Having considered other fund raising alternatives for the Group, including issuance of debt securities and Share placements and taking into account the benefit and costs of each alternative, the Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

As at the date of this announcement, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if there shall arise any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises to support such future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

Apart from the fund raising activities set out below, the Company had not conducted any other fund raising activities in the past 12 months immediately preceding the date of this announcement:

Date of announcement/ circular/prospectus	Event	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
26 April 2019, 5 June 2019 and 28 June 2019	Issue of convertible bonds	HK\$400 million	All net proceeds for the redemption of convertible bonds in the principal amount of HK\$400 million issued by the Company on 22 September 2017.	All net proceeds have been used for the redemption of convertible bonds in the principal amount of HK\$400 million issued by the Company on 22 September 2017.
1 August 2019 and 13 August 2019	Issue of convertible bonds	HK\$63.7 million	All net proceeds reserved for the Expansion.	All net proceeds will be used for the Expansion.
14 October 2019 and 23 October 2019	Issue of convertible bonds	HK\$64.7 million	All net proceeds reserved for the Expansion.	All net proceeds will be used for the Expansion.
18 December 2019, 7 February 2020 and 13 March 2020	Rights issue	HK\$412.5 million	Approximately HK\$206.2 million for the Expansion; and approximately HK\$206.3 million for the repayment of bank loans.	The December Rights Issue was not approved by the Independent Shareholders and was not completed.

POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS AND THE CONVERTIBLE BONDS

Pursuant to the terms of the Share Option Scheme and the terms and conditions of the Convertible Bonds, (i) the exercise prices and/or number of new Shares to be issued upon exercise of the Share Options; and/or (ii) the conversion prices and/or number of new Shares to be issued upon exercise of the conversion rights under the Convertible Bonds may be adjusted in accordance with the Share Option Scheme and the terms and conditions of the Convertible Bonds, if any, upon the Rights Issue becoming unconditional. The Company will notify the holders of the Share Options and the Convertible Bonds the adjustments upon the Rights Issue becoming unconditional by further announcement, if necessary.

LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A(1) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, the Company has no controlling Shareholder. The Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates, who are interested in 211,783,800 Shares in aggregate (representing approximately 27.26% of the total number of Shares in issue as at the date of this announcement), shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules.

Save for (i) the June Convertible Bonds which was issued on 28 June 2019; and (ii) the December Rights Issue which was announced by the Company on 18 December 2019 and was not completed, the Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own or in aggregate with the June Convertible Bonds.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue (including the Underwriting Agreement). Ballas Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue (including the Underwriting Agreement), and as to voting.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the SGM, is expected to be despatched to the Shareholders on or before Tuesday, 9 June 2020.

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Wednesday, 15 July 2020.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Monday, 6 July 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 17 July 2020 to Friday, 24 July 2020 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“August Convertible Bonds”	the convertible bonds in the amount of HK\$64,000,000 issued by the Company to Mr. Wang Chia Po on 13 August 2019
“Board”	the board of Directors
“Bondholder’s Undertaking(s)”	the irrevocable undertaking(s), referred to in the sub-section headed “The Bondholder’s Undertakings” under the section headed “The Underwriting Agreement”, dated 11 May 2020 and executed by each of Pearl Garden, Madian Star, Mr. Wang Chia Po and Mr. Wong Shu Fat in favour of the Company and the Underwriter
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Committed Shareholders”	each of Pearl Garden, Madian Star, Mr. Chen and Mr. Choi who was beneficially interested in 104,567,400 Shares, 104,567,400 Shares, 549,000 Shares and 2,100,000 Shares respectively, as at the date of this announcement

“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Convertible Bonds”	collectively, the June Convertible Bonds, the August Convertible Bonds and the October Convertible Bonds
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“December Rights Issue”	the proposed rights issue of the Company announced on 18 December 2019
“Director(s)”	director(s) of the Company
“Director Irrevocable Undertaking(s)”	the irrevocable undertaking(s), referred to in the sub-section headed “The Director Irrevocable Undertakings” under the section headed “The Underwriting Agreement”, dated 11 May 2020 and executed by each of the Undertaking Directors in favour of the Company and the Underwriter
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the Listing Rules to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser”	Ballas Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of to the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the SGM under the Listing Rules
“June Convertible Bonds”	the convertible bonds in the amount of HK\$400,000,000 in aggregate issued by the Company to Pearl Garden and Madian Star on 28 June 2019 under specific mandate
“Last Trading Day”	11 May 2020, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 29 July 2020 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Thursday, 30 July 2020, being the first Business Day after the Latest Time for Acceptance, or such other time as may be agreed between the Company and the Underwriter
“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 and wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for the family members of Mr. Chen, an executive Director and the chief executive officer of the Company. Madian Star is a substantial shareholder of the Company
“Mr. Chen”	Mr. Chen Tien Tui, an executive Director and the chief executive officer of the Company

“Mr. Choi”	Mr. Choi Lin Hung, an executive Director
“Mr. Li”	Mr. Li Ming Hung, an executive Director and the Chairman of the Board
“October Convertible Bonds”	the convertible bonds in the amount of HK\$65,000,000 in aggregate issued by the Company to Mr. Wong Shu Fat on 23 October 2019
“Optionholder’s Undertaking(s)”	the undertaking (s) executed on 11 May 2020 by the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking to the Record Date
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Pearl Garden”	Pearl Garden Pacific Limited, a company incorporated in the British Virgin Islands and wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for the family members of Mr. Li, an executive Director and the Chairman of the Board. Pearl Garden is a substantial shareholder of the Company
“Posting Date”	Wednesday, 15 July 2020 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF

“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Tuesday, 14 July 2020 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Secretaries Limited, the branch share registrar of the Company, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	1,553,823,962 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“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 and held at 10:00 a.m. on Thursday, 2 July 2020, in which resolution will be proposed to consider, and, if thought fit, to approve the Rights Issue and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) in the issued and unissued share capital of the Company of HK\$0.1 each
“Share Option Scheme”	the share option scheme of the Company adopted on 15 March 2011
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Shareholder(s)”	the holder(s) of the issued Shares

“Shareholder Irrevocable Undertaking(s)”	the irrevocable undertaking(s), referred to in the sub-section headed “The Shareholder Irrevocable Undertakings” under the section headed “The Underwriting Agreement”, dated 11 May 2020 and executed by each of the Committed Shareholders in favour of the Company and the Underwriter
“Specified Event”	an event occurring or a matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which renders any of the warranties contained in the Underwriting Agreement untrue, inaccurate or misleading
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.140 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Undertaking Directors”	Mr. Li, Mr. Lee Yuen Chiu Andy, Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi
“Underwriter”	Kingston Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 11 May 2020 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	an aggregate of 1,130,256,362 Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement other than those Rights Shares to be taken up under the Shareholder Irrevocable Undertakings and assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“US”	the United States of America
“%”	per cent.

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

Hong Kong, 11 May 2020

As at the date of this announcement, the executive Directors are Mr. Li Ming Hung (Chairman), Mr. Chen Tien Tui (Chief Executive Officer), Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung and the independent non-executive Directors are Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi.

** for identification purposes only*