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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)

VOLUNTARY ANNOUNCEMENT — NANJING SYNERGY TEXTILES LIMITED

This announcement is made by Victory City International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

On 20 July 2020, the Department of Commerce of the United States of America (the “**US**”) made a decision to sanction against a group of 11 Chinese entities (the “**Sanction**”) for alleged involvement in human rights violations in Xinjiang Uyghur Autonomous Region (“**XUAR**”) in the People’s Republic of China (the “**PRC**”). Nanjing Synergy Textiles Limited* (南京新一棉紡織印染有限公司) (“**Nanjing Synergy**”), a subsidiary of the Company, was named in the Sanction as an entity which allegedly practiced forced labour involving Uyghurs and other Muslim minority groups in XUAR. The Sanction resulted in Nanjing Synergy facing new restrictions on access to US-origin items, including commodities and technology.

The Group is concerned about the allegation of the practice of forced labour in Nanjing Synergy, and would like to clarify the following:

From time to time, the Group has been recruiting employees in various provinces and cities across the PRC, including workers of various ethnic groups in XUAR through recruitment agents in the PRC. So far as the Group is aware, the recruitment work and employment practices of the Group have continuously been carried out in accordance with the relevant labour laws and regulations in the PRC.

At the material times between 2018 and 2019, Nanjing Synergy recruited a group of workers with Xinjiang origin (“**Xinjiang Workers**”) through a local labour service agent company in Nanjing. The main job duties of the Xinjiang Workers were to assist in cotton spinning process and such duties and responsibilities are in accordance with the

relevant laws and regulations of the PRC. The Group has always striven to meet the customer's expectations, respect human rights of our employees and maintain our corporate social responsibility. In practice, Nanjing Synergy has provided suitable accommodation with reasonable privacy and food that accommodated the religious practice, diet and etiquette of the Xinjiang Workers. So far as the Group is aware, there is no indication or identification that forced labour was being practiced throughout the employment of the Xinjiang Workers, and there is no evidence to support the allegations against the Group on the use of forced labour in Nanjing Synergy.

Notwithstanding the above, since the end of 2019, Nanjing Synergy has already ceased its production business due to change of business strategy since given at the relevant time, (i) the trade-war between the PRC and the US escalated with higher tariffs imposed on Chinese goods and the Group has been considering to relocate its manufacturing base; and (ii) Nanjing Synergy has entered into a resumption and relocation agreement with Nanjing Binjiang Investment Development Co., Ltd.* (南京濱江投資發展有限公司), a company controlled by the State-owned Assets Supervision and Administration Office of the People's Government of Jiangning District, Nanjing* (南京市江寧區人民政府國有資產監督管理辦公室), pursuant to which Nanjing Synergy agreed to dispose of the land use rights of the land where Nanjing Synergy is located. Upon cessation of business of Nanjing Synergy, Nanjing Synergy has discharged the duties of its workers and all workers were duly compensated in accordance with the labour laws and other relevant legislations and regulations in the PRC.

The Group is of the view that there will not be any material impact on the Group's operation since (i) the Sanction is targeted at Nanjing Synergy in particular; and (ii) Nanjing Synergy has already ceased its production business in late 2019. As at the date of this announcement, the operation of the Group's business is normal. Notwithstanding the above, the Group will closely monitor the development of the Sanction and make further announcement as and when appropriate.

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

Hong Kong, 27 July 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*