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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 FORMATION OF JOINT VENTURE

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

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 31 August 2020, Quick Source Investment Limited (“**Quick Source**”), a subsidiary of the Company entered into a legally-binding joint venture agreement (the “**JV Agreement**”) with Shenzhen Smart Fabric Textile Technology Co., Ltd* (深圳市智布互聯紡織科技有限公司) (the “**JV Partner**”) pursuant to which the parties (the “**Parties**”) shall form a joint venture company (the “**JV Company**”) for the purpose of joint operation of sale and manufacture of knitted fabric products (the “**Proposed JV Business**”). The JV Company was established on 10 September 2020 under the laws of the PRC.

MAJOR TERMS OF THE JV AGREEMENT

Pursuant to the JV Agreement, the JV Company shall be owned by Quick Source and the JV Partner as to 49% and 51% respectively. The JV Company intended to sell its products to online platform e-commerce customers as well as overseas customers.

In relation to the operation of the Proposed JV Business, Jiangmen Xinhui Victory City Co., Ltd.* (江門市新會區冠華針織廠有限公司) (“**XHVC**”), a wholly owned subsidiary of the Company, shall be given a priority to handle all orders of the JV Company; and the JV Partner shall provide technical services and support for the use of manufacturing equipment system (“**MES**”) to enhance XHVC’s production efficiency, and its costs management and technical development efficiency.

To further substantiate the operation of the Proposed JV Business, the Parties agree to enter into formal written agreement(s), contract(s) and other legal document(s) when appropriate. The terms of the JV Agreement shall be valid for a 10-year period from the date of signing by the Parties. Each of the Parties agreed that it, together with its subsidiaries, shall not disclose any confidential information in relation to the other party to any other third party during the period of two years from the date of signing of the JV Agreement, unless otherwise permitted under the provisions of the JV Agreement.

INFORMATION OF THE JV PARTNER

The JV Partner is a company established in the People's Republic of China ("the PRC") in 2016 with limited liability with a registered capital of approximately RMB1 million.

The JV Partner is an industrial internet company and adopts industry 5.0 in its business model to achieve synergy in the textile industry between human and autonomous machines. Through the combination of a self-developed "software as a service" (SaaS) cloud-based software, enterprise resource planning (ERP) system, MES with internet of things (IoT) and big data technology, the industrial business model of the JV Partner has achieved resources sharing among alliance companies in the textile industry in spinning, knitting, dyeing and finishing which maximises their production efficiency and minimises their costs.

The JV Partner is wholly owned by Shenzhen Smart Manufacturing Software Development Co., Ltd* (深圳市智能製造軟件開發有限公司) ("**Shenzhen Smart**"), which was awarded the high and new technology enterprise certificate, and was granted the double-soft enterprise certification with registration of over 30 manufacturing software patents. The largest equity holder of Shenzhen Smart is Mr. Fu Junchao (傅俊超) who is mainly engaged in the internet technology (IT) industry and has over 10 years of relevant experience. The second largest equity holder of Shenzhen Smart is Image Frame Investment (HK) Limited, whose entire issued share capital is held by Tencent Holdings Limited. The other equity holders of Shenzhen Smart include, among others, Ningbo Meishan Bonded Port Area Sequoia Zhisheng Equity Investment Partnership (L.P.)* (寧波梅山保稅港區紅杉智盛股權投資合夥企業(有限合夥)); Matrix Partners China V Hong Kong Limited, which is a company invested by Matrix Partners China (經緯中國); Shenzhen Zhichao Information Technology Partnership (L.P.)* (深圳智超信息科技合夥企業(有限合夥)); Shenzhen Xianfeng Growth Investment Partnership (L.P.)* (深圳險峰成長投資合夥企業(有限合夥)); Beijing Hexie Chaoyue Investment Center (L.P.)* (北京和諧超越投資中心(有限合夥)), which is invested by IDG Capital; Ningbo Meishan Bonded Port Area Yiyi Enterprise Security Investment Partnership (L.P.)* (寧波梅山保稅港區翺翎企安投資合夥企業(有限合夥)); Chongqing Huanshan Venture Capital Fund Partnership (L.P.)* (重慶洄杉創業投資基金合夥企業(有限合夥)); Hangzhou Hexie Lingjin Investment Partnership (L.P.)* (杭州和諧領進投資合夥企業(有限合夥)); 10 Fund (Hong Kong) Limited; and Hangzhou Xianfeng No.3 Investment Partnership (L.P.)* (杭州險峰三號投資合夥企業(有限合夥)).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the JV Partner and its beneficial owners was third party independent from the Company and its connected persons under the Listing Rules as at the date of this announcement.

REASONS FOR ENTERING INTO THE JV AGREEMENT

Since the Group and the JV Partner are both engaged in fabric manufacturing and related business, the Parties consider that the Proposed JV Business, if materialised, will bring positive development incentives to the Parties, and create an integrated advantageous and synergy effect. Taking into account that the Group will also be one of the manufacturing base of the JV Company, the Parties believe that the Proposed JV Business, if materialised, bulk orders from the JV Company will be expected to be placed with the Group, and the Parties not only can broaden their income stream and profitability, but at the same time the Group can increase its production efficiency and achieve economies of scale. The Proposed JV Business will also lay a foundation for future development and cooperation of the Parties.

GENERAL

The JV Agreement was entered into on normal commercial terms and in the ordinary course of business of the Group, the Directors consider that the terms therein are fair and reasonable and are in the interests of the Group and its shareholders as a whole.

As none of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the formation of the JV Company under the JV Agreement exceeds 5%, the formation of the JV Company under the JV Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules and this announcement is made by the Company on a voluntary basis.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 14 September 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*