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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in the Company, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Joint provisional liquidators appointed)
(For restructuring purposes only)
(Incorporated in Bermuda with limited liability)
(Stock Code: 539)

- (1) PROPOSED SHARE CONSOLIDATION;**
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(3) PROPOSED AMENDMENT TO THE BYE-LAWS;
(4) PROPOSED AMENDMENT TO THE TERMS AND CONDITIONS
OF THE INDEPENDENT CONVERTIBLE BONDS;
AND
(5) NOTICE OF THE SGM

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

A letter from the Board is set out on pages 9 to 32 of this circular.

A notice convening the SGM to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on 18 March 2021 at 10:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-7 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Secretaries Limited, the branch share registrar of Victory City International Holdings Limited in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting (i.e. 10:00 a.m. on Tuesday, 16 March 2021, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

* *For identification purposes only*

23 February 2021

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DEFINITIONS

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

“Adjusted Conversion Price”	HK\$0.060 per Existing Conversion Share (assuming the Share Consolidation does not take effect) or HK\$0.60 per Consolidated Conversion Share (assuming the Share Consolidation takes effect), being the adjusted conversion price at which Conversion Shares will be issued upon exercise of the conversion rights attaching to the Independent Convertible Bonds (as amended by the respective Deeds of Amendment for Independent CB and the Supplemental Deeds), subject to adjustments pursuant to the terms and conditions contained therein
“Amendment to Bye-Laws”	proposed amendment to the Bye-Laws as described in the paragraph headed “Proposed Amendment to the Bye-Laws” in this circular
“Approved Professional Adviser”	an independent firm of merchant bank or audit firm of international repute in the opinion of the Company appointed in accordance with the provisions of the instrument constituting the Convertible Bonds
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors from time to time
“BVI”	the British Virgin Islands
“Bye-Laws”	the bye-laws of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Proposed Amendment pursuant to the respective Deeds of Amendment for Independent CB
“Concert Group”	Pearl Garden and Madian Star, their ultimate beneficial owners and parties acting in concert with any of them, including but not limited to Mr. Li and Mr. Chen
“Connected Convertible Bonds”	the convertible bonds in the aggregate amount of HK\$400,000,000 issued by the Company to Pearl Garden and Madian Star on 28 June 2019 under specific mandate

DEFINITIONS

“connected person(s)”	the meaning ascribed thereto in the Listing Rules
“Consolidated Conversion Share(s)”	new Consolidated Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds
“Consolidated Share(s)”	ordinary share(s) of HK\$1.0 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Share(s)”	the Existing Conversion Share(s) or the Consolidated Conversion Share(s), as the case may be
“Convertible Bonds”	collectively, the Connected Convertible Bonds and the Independent Convertible Bonds
“Convertible Bonds A”	the convertible bonds in the amount of HK\$64,000,000 issued by the Company to Mr. Wang on 13 August 2019
“Convertible Bonds B”	the convertible bonds in the amount of HK\$65,000,000 issued by the Company to Mr. Wong on 23 October 2019
“COVID-19”	a coronavirus identified as the cause of an outbreak of respiratory illness that was first detected in 2019 and declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020
“Deed of Amendment A”	the deed of amendment dated 23 October 2020 and entered into between the Company and the Mr. Wang in relation to the Proposed Amendment
“Deed of Amendment B”	the deed of amendment dated 23 October 2020 and entered into between the Company and the Mr. Wong in relation to the Proposed Amendment
“Deeds of Amendment for Independent CB”	collectively, the Deed of Amendment A and the Deed of Amendment B
“Director(s)”	director(s) of the Company

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“Existing Conversion Share(s)”	new Existing Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds
“Existing Share(s)”	ordinary share(s) of HK\$0.1 each in the existing share capital of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$400,000,000 divided into 400,000,000 Consolidation Shares to HK\$1,000,000,000 divided into 1,000,000,000 Consolidated Shares by the creation of an additional 600,000,000 Consolidated Shares
“Independent Convertible Bonds”	collectively, the Convertible Bonds A and the Convertible Bonds B
“Independent Third Party(ies)”	party(ies), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is/are independent of, and not connected with the Company and its connected persons
“January Announcement”	the announcement of the Company dated 29 January 2021 in relation to, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Proposed Amendment to Bye-Laws and the Supplemental Deeds
“Last Trading Day”	29 January 2021, being the last trading day for the Existing Shares before the entering into of the Supplemental Deeds
“Latest Practicable Date”	18 February 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Longstop Date”	30 April 2021 or such later date as the Company and each of the subscribers in each of the Independent Convertible Bonds shall agree in writing
“Madian Star”	Madian Star Limited, an investment holding company incorporated in the BVI with limited liability, and is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for the family of Mr. Chen, being a subscriber of the Connected Convertible Bonds
“Mr. Chen”	Mr. Chen Tien Tui, an executive Director of the Company
“Mr. Li”	Mr. Li Ming Hung, an executive Director of the Company
“Mr. Wang”	Mr. Wang Chia Po, being the subscriber under the Subscription Agreement A and an Independent Third Party
“Mr. Wong”	Mr. Wong Shu Fat, being the subscriber under the Subscription Agreement B and an Independent Third Party
“October Announcement”	the announcement of the Company dated 23 October 2020 in relation to, among other things, the Deed of Amendment A and Deed of Amendment B
“Pearl Garden”	Pearl Garden Pacific Limited, an investment holding company incorporated in the BVI with limited liability, and is 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 of Mr. Li, being a subscriber of the Connected Convertible Bonds
“Proposed Amendment”	the proposed amendment of certain terms and conditions of the Independent Convertible Bonds pursuant to the respective Deeds of Amendment for Independent CB
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Share Consolidation, the Increase in Authorised Share Capital and the Amendment to Bye-Laws, the Deeds of Amendment for Independent CB and the transactions contemplated thereunder (or any adjournment thereof)
“Share Consolidation”	the proposed consolidation of every 10 issued and unissued Existing Shares into 1 Consolidated Share

DEFINITIONS

“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
“Share(s)”	the Existing Share(s) or the Consolidated Share(s), as the case may be
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the SGM to allot and issue the Conversion Shares pursuant to the respective Independent Convertible Bonds (as amended by the respective Deeds of Amendment for Independent CB)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement A”	the conditional subscription agreement dated 1 August 2019 and entered into between the Company and Mr. Wang in relation to the subscriptions of the Convertible Bonds A and was completed on 13 August 2019
“Subscription Agreement B”	the conditional subscription agreement dated 14 October 2019 and entered into between the Company and Mr. Wong in relation to the subscriptions of the Convertible Bonds B and was completed on 23 October 2019
“Subscription Agreement C”	the conditional subscription agreement dated 26 April 2019 and entered into among the Company, Pearl Garden and Madian Star in relation to the subscriptions of the Connected Convertible Bonds and was completed on 28 June 2019
“Subscription Agreements”	collectively, the Subscription Agreement A, the Subscription Agreement B and the Subscription Agreement C
“substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Supplemental Deed A”	the supplemental deed dated 29 January 2021 and entered into among the Company and Mr. Wang to (i) further change the conversion price; (ii) extend the Longstop Date; and (iii) amend the conditions precedent of the Deed of Amendment A

DEFINITIONS

“Supplemental Deed B”	the supplemental deed dated 29 January 2021 and entered into among the Company and Mr. Wong to (i) further change the conversion price; (ii) extend the Longstop Date; and (iii) amend the conditions precedent of the Deed of Amendment B
“Supplemental Deeds”	collectively, the Supplemental Deed A and the Supplemental Deed B
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE FOR THE SHARE CONSOLIDATION

The expected timetable for the implementation of the Share Consolidation is as follows:

Event	2021
Expected date of despatch of circular with notice and form of proxy of the SGM	Tuesday, 23 February
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the SGM	4:30 p.m. on Thursday, 11 March
Closure of register of members for determining the entitlement to attend and vote at the SGM (both dates inclusive).	Friday, 12 March to Thursday, 18 March
Latest date and time for lodging forms of proxy for the SGM.	10:00 a.m. on Tuesday, 16 March
Expected date and time of the SGM	10:00 a.m. on Thursday, 18 March
Publication of announcement of results of the SGM.	Thursday, 18 March
<p>The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation:</p>	
Effective date of the Share Consolidation	Monday, 22 March
First day for free exchange of existing share certificates for new share certificates for the Consolidated Shares commences.	Monday, 22 March
Commencement of dealings in the Consolidated Shares.	9:00 a.m. on Monday, 22 March
Original counter for trading in the Existing Shares in board lots of 4,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 22 March
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 22 March
Original counter for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of new share certificates) re-opens.	9:00 a.m. on Thursday, 8 April

EXPECTED TIMETABLE FOR THE SHARE CONSOLIDATION

Event	2021
Parallel trading in the Consolidated Shares (in form of new share certificates and existing share certificates) commences	9:00 a.m. on Thursday, 8 April
Designated broker starts to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Thursday, 8 April
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) closes . . .	4:10 p.m. on Wednesday, 28 April
Parallel trading in Consolidated Shares (in form of new share certificates and existing share certificates) ends	4:10 p.m. on Wednesday, 28 April
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares . . .	4:00 p.m. on Wednesday, 28 April
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares	Friday, 30 April

All times and dates specified in the timetable above refer to Hong Kong times and dates. The expected timetable set out above is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Joint provisional liquidators appointed)
(For restructuring purposes only)
(Incorporated in Bermuda with limited liability)
(Stock Code: 539)

Executive Directors:

Li Ming Hung (*Chairman*)
Chen Tien Tui (*Chief Executive Officer*)
Lee Yuen Chiu Andy

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Kan Ka Hon
Phaisalakani Vichai
Kwok Sze Chi

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

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

23 February 2021

To the Shareholder

Dear Sirs

- (1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(3) PROPOSED AMENDMENT TO THE BYE-LAWS;
AND
(4) PROPOSED AMENDMENT TO THE TERMS AND CONDITIONS
OF THE INDEPENDENT CONVERTIBLE BONDS**

INTRODUCTION

Reference is made to (i) the October Announcement in relation to, among others, the Deed of Amendment A and the Deed of Amendment B; and (ii) the January Announcement in relation to, among others, the Share Consolidation, the Increase in Authorised Share Capital, the Proposed Amendment to Bye-Laws and the Supplemental Deeds.

* *for identification purposes only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Share Consolidation, the Increase in Authorised Share Capital, the Proposed Amendment to Bye-Laws and the Deeds of Amendment for Independent CB; and (ii) the notice of the SGM.

(1) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of HK\$0.1 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK\$1.0 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional on:

- (1) the passing of an ordinary resolution by the Shareholders at the SGM to approve the Share Consolidation; and
- (2) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Consolidated Shares arising from the Share Consolidation, and the Consolidated Shares which may fall to be allotted and issued under the Share Option Scheme and the Convertible Bonds.

Subject to the satisfaction of all the above conditions, it is expected that the Share Consolidation will become effective on the second business day immediately following the date of the SGM (i.e. Monday, 22 March 2021).

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$400,000,000 divided into 4,000,000,000 Existing Shares of HK\$0.1 each, of which 2,330,735,943 Existing Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the authorised share capital of the Company shall become HK\$400,000,000 divided into 400,000,000 Consolidated Shares of HK\$1.0 each and, on the basis that the Company does not allot, issue or repurchase any Existing Shares prior thereto, of which 233,073,594 Consolidated Shares will be in issue.

Status of the Consolidated Shares

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

Listing Application

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation and the Consolidated Shares which may fall to be allotted and issued under the Share Option Scheme and the Convertible Bonds.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Board lot size

Currently, the Existing Shares are traded on the Stock Exchange in the board lot size of 4,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 4,000 Consolidated Shares.

Based on the closing price of HK\$0.055 per Existing Share as quoted on the Stock Exchange at the Last Trading Day, the value for each board lot of 4,000 Shares was HK\$220 and the theoretical market value for each board lot of 4,000 Consolidated Shares assuming the Share Consolidation had become effective, would be HK\$2,200.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of board lots or share certificates held by such holder.

LETTER FROM THE BOARD

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling the Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Get Nice Securities Limited at 10/F., Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong, as agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

Free exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may, on or after Monday, 22 March 2021 until Friday, 30 April 2021 (both days inclusive), submit share certificates for the Existing Shares (in green colour) to the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, to exchange at the expense of the Company, for new share certificates of the Consolidated Shares in purple colour (on the basis of ten (10) Existing Shares for one (1) Consolidated Share). It is expected that the new share certificates for the Consolidated Shares will be available for collection within 10 business days after submission of the existing share certificates to the Hong Kong branch share registrar of the Company for exchange. Thereafter, share certificates of Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher. After close of business on Wednesday, 28 April 2021, share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for certificates for the Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

Adjustments in relation to other securities of the Company

As at the Latest Practicable Date, there were 63,463,564 Share Options granted under the Share Option Scheme entitling the holders thereof to subscribe for up to 63,463,564 Existing Shares. Under the relevant terms and conditions thereof, the Share Consolidation may lead to adjustments to the exercise price and/or the number of shares of the Company falling to be issued upon exercise of the share options pursuant to the terms thereof. Assuming there is no other adjustment event under the Share

LETTER FROM THE BOARD

Option Scheme other than the Share Consolidation becoming effective, the share options will entitle the holders thereof to subscribe for up to 6,346,356 Consolidated Shares in aggregate.

As at the Latest Practicable Date, there were (i) the Connected Convertible Bonds in the aggregate amount of HK\$400,000,000, which 382,775,120 Existing Shares will be issued upon exercise of the conversion rights under the Connected Convertible Bonds in full at the current adjusted conversion price of HK\$1.045 per Existing Conversion Share; (ii) the Convertible Bonds A in the amount of HK\$64,000,000, which 101,426,307 Existing Shares will be issued upon exercise of the conversion rights under the Convertible Bonds A in full at the current adjusted conversion price of HK\$0.631 per Existing Conversion Share; and (iii) the Convertible Bonds B in the amount of HK\$65,000,000, which 101,404,056 Existing Shares will be issued upon exercise of the conversion rights under the Convertible Bonds B in full at the current adjusted conversion price of HK\$0.641 per Existing Conversion Share. Under the relevant terms and conditions of the Convertible Bonds, the Share Consolidation may lead to adjustments to the exercise price and/or the number of shares of the Company falling to be issued upon exercise of the Convertible Bonds pursuant to the terms thereof. Assuming the Proposed Amendment does not take effect, and there is no other adjustment event under the terms of the Convertible Bonds other than the Share Consolidation becoming effective, (i) the Connected Convertible Bonds will entitle the bondholders to convert into 38,277,512 Consolidated Shares at the conversion price of HK\$10.45 per Consolidated Conversion Share; (ii) the Convertible Bonds A will entitle the bondholders to convert into 10,142,630 Consolidated Shares at the conversion price of HK\$6.31 per Consolidated Share; and (iii) the Convertible Bonds B will entitle the bondholders to convert into 10,140,405 Consolidated Shares at the conversion price of HK\$6.41 per Consolidated Conversion Share.

In the event the Proposed Amendment takes effect, the conversion price of the Independent Convertible Bonds will be changed to the Adjusted Conversion Price of HK\$0.060 per Existing Conversion Share (assuming the Share Consolidation does not become effective) or HK\$0.60 per Consolidated Conversion Share (assuming the Share Consolidation becomes effective). Please refer to the paragraph headed “The Deed of Amendment A and the Deed of Amendment B” of this circular for further details.

In the event the Proposed Amendment and the Share Consolidation take effect, pursuant to the terms and conditions of the Subscription Agreement C, the Proposed Amendment and the Share Consolidation may lead to adjustments to the exercise price and/or the number of shares of the Company falling to be issued upon exercise of the Connected Convertible Bonds pursuant to the terms thereof. Pursuant to the terms and conditions of the Subscription Agreement C, the Directors shall make an adjustment to the conversion price of the Connected Convertible Bonds in such manner as an Approved Professional Adviser certifies to be, in its opinion, appropriate.

Further announcement will be made by the Company in respect of the above adjustments as and when appropriate.

LETTER FROM THE BOARD

Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Existing Shares as at the Latest Practicable Date.

Reasons for the Share Consolidation

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

Since 29 October 2020, the share price of the Company has been constantly below HK\$0.1 per Existing Share. The proposed Share Consolidation will increase the nominal value of the Shares and would bring about a corresponding upward adjustment in the expected value per board lot. As such, it would enable the Company to comply with the trading requirements under the Listing Rules. Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the shares of the Company as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade.

In addition, as illustrated in the sub-paragraph headed “Board lot size” above, the current value of each board lot of 4,000 Existing Shares is below HK\$2,000. The Share Consolidation will also allow the value of each board lot of 4,000 Consolidated Shares to be increased to more than HK\$2,000.

The Board considers that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, the Company had no intention to carry out any corporate actions or arrangements in the coming 12 months which may have contradictory effect of the intended purpose of the Share Consolidation.

(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate future expansion and growth of the Group and to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future as and when necessary, the Board proposes that, subject to the Share Consolidation having become effective, the authorised share capital of the Company be increased from

LETTER FROM THE BOARD

HK\$400,000,000 divided into 400,000,000 Consolidated Shares to HK\$1,000,000,000 divided into 1,000,000,000 Consolidated Shares by the creation of an additional 600,000,000 Consolidated Shares instead.

The Increase in Authorised Share Capital of the Company is conditional upon (i) the Share Consolidation becoming effective; and (ii) the passing of an ordinary resolution by the Shareholders approving the Increase in Authorised Share Capital at the SGM.

The Board is of the view that the Increase in Authorised Share Capital will provide flexibility to the Company for future expansion in the share capital of the Company, and is therefore in the interests of the Company and the Shareholders taken as a whole.

(3) PROPOSED AMENDMENT TO THE BYE-LAWS

The Board proposes to make certain amendments to the Bye-Laws in order to extend the subscription right reserve to convertible securities by allowing accumulated profits of the Company be used to pay up the balance of the par value for the Shares which are allotted and issued at a conversion price below the par value of the Shares upon conversion of convertible securities.

The Amendment to Bye-Laws is to delete existing Bye-Law 150 in its entirety and replacing it with the following new Bye-law 150:

Bye-law 150

The following provisions shall have effect to the extent that they are not prohibited by and are in compliance with the Act:

- (1) If, so long as any of the rights attached to any shares, options, warrants, derivatives, notes, bonds or other securities carrying rights of conversion or exchange into, or subscription for, shares of the Company (collectively, “**Relevant Securities**”) issued by the Company shall remain exercisable, the Company does any act or engages in any transaction which, as a result of any adjustments to the subscription price in accordance with the provisions of the conditions of the Relevant Securities, would reduce the subscription price to below the nominal value of a share, then the following provisions shall apply:
 - (a) as from the date of the adoption of this Bye-law or such act or transaction the Company shall establish and thereafter (subject as provided in this Bye law) maintain in accordance with the provisions of this Bye law a reserve (the “**Subscription Rights Reserve**”) the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional shares required to be issued and allotted credited as fully paid pursuant to sub paragraph (c) below on the exercise in full of all the subscription rights outstanding and shall apply the Subscription Rights Reserve in paying up such additional shares in full as and when the same are allotted;

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- (b) the Subscription Rights Reserve shall not be used for any purpose other than that specified above unless all other reserves of the Company (other than share premium account) have been extinguished and will then only be used to make good losses of the Company if and so far as is required by law;
- (c) upon the exercise of all or any of the subscription rights represented by any Relevant Securities, the relevant subscription rights shall be exercisable in respect of a nominal amount of shares equal to the amount in cash which the holder of such Relevant Securities is required to pay on exercise of the subscription rights represented thereby (or, as the case may be the relevant portion thereof in the event of a partial exercise of the subscription rights) and, in addition, there shall be allotted in respect of such subscription rights to the exercising holder of such Relevant Securities (the “**Relevant Holder**”), credited as fully paid, such additional nominal amount of shares as is equal to the difference between:
 - (i) the said amount in cash which the holder of such Relevant Securities is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights); and
 - (ii) the nominal amount of shares in respect of which such subscription rights would have been exercisable having regard to the provisions of the conditions of the Relevant Securities, had it been possible for such subscription rights to represent the right to subscribe for shares at less than par,

and immediately upon such exercise so much of the sum standing to the credit of the Subscription Rights Reserve as is required to pay up in full such additional nominal amount of shares shall be capitalised and applied in paying up in full such additional nominal amount of shares which shall forthwith be allotted credited as fully paid to the exercising Relevant Holders; and

- (d) if, upon the exercise of the subscription rights represented by any Relevant Securities, the amount standing to the credit of the Subscription Rights Reserve is not sufficient to pay up in full such additional nominal amount of shares equal to such difference as aforesaid to which the exercising Relevant Holder is entitled, the Board shall apply any profits or reserves then or thereafter becoming available (including, to the extent permitted by law, share premium account or amounts standing to the contributed surplus account of the Company) for such purpose until such additional nominal amount of shares is paid up and allotted as aforesaid and until then no dividend or

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other distribution shall be paid or made on the fully paid shares of the Company then in issue. Pending such payment and allotment, the exercising Relevant Holder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one share in the like manner as the shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the Board may think fit and adequate particulars thereof shall be made known to each relevant exercising Relevant Holder upon the issue of such certificate.

- (2) Shares allotted pursuant to the provisions of this Bye law shall rank *pari passu* in all respects with the other shares allotted on the relevant exercise of the subscription rights represented by the Relevant Securities concerned. Notwithstanding anything contained in paragraph (1) of this Bye law, no fraction of any share shall be allotted on exercise of the subscription rights.
- (3) The provision of this Bye law as to the establishment and maintenance of the Subscription Rights Reserve shall not be altered or added to in any way which would vary or abrogate, or which would have the effect of varying or abrogating the provisions for the benefit of any Relevant Holder or class of Relevant Holders under this Bye law without the sanction of a special resolution of such Relevant Holders or class of Relevant Holders.
- (4) A certificate or report by the auditors for the time being of the Company as to whether or not the Subscription Rights Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purposes for which the Subscription Rights Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the additional nominal amount of shares required to be allotted to exercising Relevant Holders credited as fully paid, and as to any other matter concerning the Subscription Rights Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all Relevant Holders and shareholders.

The Amendment to Bye-Laws are subject to the approval of Shareholders at the SGM.

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(4) PROPOSED AMENDMENT TO THE TERMS AND CONDITIONS OF THE INDEPENDENT CONVERTIBLE BONDS

Principal Terms of the Independent Convertible Bonds

The current principal terms of the Independent Convertible Bonds have been summarised in the announcements of the Company dated 1 August 2019 and 14 October 2019. A summary of the major terms of the respective Independent Convertible Bonds which will not be amended by the respective Deeds of Amendment for Independent CB is as follows:

Issuer:	The Company
Principal amount:	Convertible Bonds A: HK\$64,000,000 Convertible Bonds B: HK\$65,000,000
Issue price:	100% of the principal amount of the respective Independent Convertible Bonds
Interest rate:	5% per annum on the outstanding principal amount of the Independent Convertible Bonds, which shall be payable in arrears on 30 June and 31 December of each year from the date of issue until the maturity date of the Independent Convertible Bonds
Maturity Date:	The date falling two years (which can, by agreement between the bondholder(s) and the Company, be extended to five years) after the date of issue or, if that is not a business day, the first business day thereafter Convertible Bonds A: 13 August 2021 (extendable to 13 August 2024 by agreement) Convertible Bonds B: 25 October 2021 (extendable to 23 October 2024 by agreement)
Conversion period:	The holder(s) of the Independent Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Independent Convertible Bonds into Conversion Shares for the period commencing from the date of issue up to 4:00 p.m. on the maturity date of the Independent Convertible Bonds

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Conversion rights: If the issue of Conversion Shares following the exercise by a bondholder of the conversion rights relating to any of the bonds held by such bondholder would result in:

- (a) such bondholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, directly or indirectly controlling or being interested in 30% or more of the entire issued voting share capital of the Company (or such other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer) as at the date of conversion; or
- (b) the shareholding of Mr. Li, Mr. Chen, and companies directly or indirectly, controlled or interested in by any of them would, in aggregate, fall to equal or less than 20% of the entire issued share capital of the Company (the “**Shareholding Level Requirement**”); or
- (c) the Company not meeting the Public Float Requirement immediately after the conversion,

then the number of Conversion Shares to be issued pursuant to such conversion shall be limited to the maximum number of Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement or a breach of the Shareholding Level Requirement or mandatory general offer being triggered under the Takeovers Code (as the case may be) and the balance of the conversion rights attaching to the respective Independent Convertible Bonds which the bondholder sought to convert shall be suspended until such time when the Company is able to issue additional Shares in satisfaction of the exercise of the said balance of conversion rights attaching to the respective Independent Convertible Bonds and at the same time comply with the Public Float Requirement or without triggering a mandatory general offer under the Takeovers Code or breach the Shareholding Level Requirement (as the case may be)

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Adjustments to
conversion price:

The conversion price under the Independent Convertible Bonds may be adjusted in the event of any alteration in the capital structure of the Company whether arising by reason of a capitalisation of profits or reserves, rights issue or other offer of securities to holder of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of the Company), consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever except where any such event is specifically exempted under the terms and conditions of the Independent Convertible Bonds, including but not limited to any issue or grant of Shares, options or other securities of the Company or any of its subsidiaries wholly or partly convertible into, or rights to acquire, Shares to the Directors or employees of the Company or any of its subsidiaries or their personal representatives pursuant to an employee share scheme of the Company or any of its subsidiaries.

In any such alteration in the capital structure of the Company, the Company shall prior to the effective date of conversion of the Independent Convertible Bonds instruct an Approved Professional Adviser to consider whether any adjustment should be made to the conversion price under the Independent Convertible Bonds in order to fairly and appropriately reflect the relative interests of the Company and the bondholder(s). The Directors shall make an adjustment to the conversion price under the Independent Convertible Bonds in such manner as an Approved Professional Adviser certifies to be, in its opinion, appropriate.

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Further provisions in relation to adjustment to conversion price under the Independent Convertible Bonds:

- (1) Where more than one event gives or may give rise to an adjustment to the conversion price under the Independent Convertible Bonds occurs within such a short period of time that the Approved Professional Adviser considers in good faith that the operation of the above provisions would need to be subject to some modification in order to give the intended commercial result, such modification shall be made to the operation of the above provisions as may be advised by the Approved Professional Adviser, acting as an expert, to be in their opinion appropriate in order to give such intended result.
- (2) No adjustment will be made to the conversion price under the Independent Convertible Bonds (i) where Shares are allotted or issued pursuant to any exercise of the conversion rights; or (ii) upon any issue or grant of Shares, options or other securities of the Group wholly or partly convertible into, or rights to acquire, Shares to directors or employees of the Group or their personal representatives pursuant to an employee share scheme of the Group.
- (3) No adjustment involving an increase in the conversion price under the Independent Convertible Bonds will be made, except in the case of a consolidation of the Shares.

Redemption upon maturity:

Any Independent Convertible Bonds which remain outstanding by 4:00 p.m. (Hong Kong time) on the maturity date of the Independent Convertible Bonds shall be redeemed by the Company at a redemption amount equal to the principal amount of the outstanding Independent Convertible Bonds together with interest accrued thereon

The Deeds of Amendment A and the Deed of Amendment B

On 23 October 2020 (after trading hours), the Company entered into the Deed of Amendment A with Mr. Wang pursuant to which the Company and Mr. Wang have conditionally agreed to change the conversion price under the Convertible Bonds A

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from the initial conversion price of HK\$0.640 per Existing Conversion Share (which has been adjusted to HK\$0.631 per Existing Conversion Share due to rights issue) to the proposed adjusted conversion price for Independent CB of HK\$0.120 per Existing Conversion Share.

On 23 October 2020 (after trading hours), the Company entered into the Deed of Amendment B with Mr. Wong pursuant to which the Company and Mr. Wong have conditionally agreed to change the conversion price under the Convertible Bonds B from the initial conversion price of HK\$0.650 per Conversion Share (which has been adjusted to HK\$0.641 per Existing Conversion Share due to rights issue) to the proposed adjusted conversion price of HK\$0.120 per Existing Conversion Share.

On 29 January 2021 (after trading hours), the Company further entered into the Supplemental Deed A with Mr. Wang and the Supplemental Deed B with Mr. Wong pursuant to which the parties thereto have conditionally agreed to (i) further change the conversion price under the Independent Convertible Bonds from the proposed adjusted conversion price of HK\$0.120 per Existing Conversion Share to the Adjusted Conversion Price of HK\$0.060 per Existing Conversion Share (assuming the Share Consolidation does not become effective) or HK\$0.60 per Consolidated Conversion Share (assuming the Share Consolidation become effective); (ii) extend the Longstop Date to 30 April 2021; and (iii) amend the conditions precedent of the respective Deeds of Amendment for Independent CB. For further details, please refer to the January Announcement.

As the share price of the Company as at the date of January Announcement is HK\$0.055 per Existing Share is below the nominal value of Existing Share of HK\$0.1 and a company may not issue shares at a discount to the nominal value of such shares under the laws of Bermuda, the Proposed Adjustment will therefore be subject to the Amendment to the Bye-Laws becoming effective. The amended conditions precedent of the Deed of Amendment A and Deed of Amendment B are as follow:

Amended Conditions Precedent

The respective Deeds of Amendment for Independent CB is conditional upon the following conditions:

- (a) the obtaining of all necessary Shareholders' approval of the Company (as required), among other matters, approving the respective Deeds of Amendment for Independent CB, transactions contemplated thereunder in compliance with the applicable requirements under the Listing Rules;
- (b) the Stock Exchange has granted its approval for the amendment as set out in the respective Deeds of Amendment for Independent CB pursuant to Rule 28.05 of the Listing Rules;

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- (c) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Shares to be issued upon the exercise of the conversion rights attaching to the respective Convertible Bonds as amended by the amendment as set out in the respective Deeds of Amendment for Independent CB; and
- (d) the Amendment to Bye-Laws becoming effective.

None of the above conditions are waivable. If any of the conditions above are not fulfilled by the Longstop Date or such other date as the parties to the respective Deeds of Amendment for Independent CB shall agree in writing, the parties to the respective Deeds of Amendment for Independent CB will not be bound to proceed with the transactions contemplated under the respective Deeds of Amendment Independent CB and the respective Deeds of Amendment for Independent CB will cease to have any effect. In such case, the respective Independent Convertible Bonds will continue to take effect under the existing terms and conditions without the Proposed Amendment.

Save for the amendment as set out in the respective Deed of Amendment, all other terms and conditions of the Independent Convertible Bonds remain unchanged.

Adjusted Conversion Price

Assuming the Share Consolidation becomes effective, the Adjusted Conversion Price of HK\$0.60 per Consolidated Conversion Share represents:

- (a) a premium of 25% over the adjusted closing price of HK\$0.48 per Consolidated Share based on the closing price of the Existing Shares as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation;
- (b) a premium of approximately 9.09% over the adjusted closing price of HK\$0.55 per Consolidated Share based on the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (c) a premium of approximately 8.30% over the adjusted average closing price of approximately HK\$0.554 per Consolidated Share based on the closing prices of the Existing Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (d) a premium of approximately 14.72% over the adjusted average closing price of approximately HK\$0.523 per Consolidated Share based on the closing prices of the Existing Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation; and

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- (e) a discount of approximately 98.04% to the audited net asset value per Consolidated Share of approximately HK\$30.61 as at 30 September 2020, calculated based on the Group's audited consolidated net assets of approximately HK\$7,134.5 million as at 30 September 2020 and the 233,073,594 Consolidated Shares upon the Share Consolidation becoming effective.

Consolidated Conversion Shares

As at the Latest Practicable Date, no Existing Conversion Shares have been issued pursuant to the Convertible Bonds A or the Convertible Bonds B.

Assuming the Independent Convertible Bonds are converted in full based on the current adjusted conversion price of HK\$0.631 per Existing Conversion Share for the Convertible Bonds A and HK\$0.641 per Existing Conversion Share for the Conversion Bonds B, and there is no other change in the issued share capital of the Company from the Latest Practicable Date and up to Completion, 101,426,307 Existing Shares and 101,404,056 Existing Shares will be issued to Mr. Wang and Mr. Wong respectively, representing (i) approximately 4.35% and 4.35% of the issued Existing Shares as at the Latest Practicable Date, respectively; and (ii) approximately 4.00% and 4.00% of the issued Existing Shares as enlarged by the issue and allotment of the Existing Conversion Shares, respectively.

Assuming the Share Consolidation becomes effective and the Independent Convertible Bonds are converted in full based on the Adjusted Conversion Price of HK\$0.60 per Consolidated Conversion Share, 106,666,666 Consolidated Shares and 108,333,333 Consolidated Shares will be issued to Mr. Wang and Mr. Wong respectively, representing (i) approximately 45.77% and 46.48% of the issued Consolidated Shares upon the Share Consolidation becoming effective, respectively; and (ii) approximately 23.81% and 24.18% of the issued Consolidated Shares as enlarged by the issue and allotment of the Consolidated Conversion Shares, respectively. The Conversion Shares will be issued under the Specific Mandate.

Mandate to issue the Conversion Shares

Due to the amended conversion price of the Independent Convertible Bonds, the Conversion Shares upon exercise of the conversion rights under the respective Independent Convertible Bonds will be allotted and issued under the Specific Mandate to be sought at the SGM.

Application of Listing

No application has been or will be made by the Company for the listing of the Independent Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares that may be issued by the Company under the terms and conditions of the Independent Convertible Bond (as amended by the respective Deeds of Amendment for Independent CB) under the Specific Mandate.

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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 Latest Practicable Date:

Date of announcement/ circular/ prospectus	Event	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
18 December 2019, 7 February 2020 and 13 March 2020	Rights issue	HK\$412.5 million	Approximately HK\$206.2 million for the Group's plan to construct of a manufacturing base in Bangladesh for fabric production (the " Expansion "); and approximately HK\$206.3 million for the repayment of bank loans.	Such rights issue was not approved by the Independent Shareholders and was not completed.
11 May 2020, 18 June 2020, 23 July 2020 and 13 August 2020	Rights issue	HK\$212.2 million	Approximately HK\$200.0 million for the repayment of the syndicated loan; and approximately HK\$12.2 million as general working capital of the Group.	All net proceeds have been used as intended.

Reference is made to the Company's announcement dated 16 February 2021 (the "**February 2021 Announcement**") in relation to, among others, petition for winding up of the Company and the appointment of joint provisional liquidators for restructuring purposes. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, save and except as otherwise implemented as part of the reorganisation and/or refinancing of the Company for restructuring purposes as referred to in the February 2021 Announcement, the Company has no current intention or plan to undertake any equity fundraising activities in the next 12 months, given the Company's current financial condition.

REASONS FOR THE DEEDS OF AMENDMENT FOR INDEPENDENT CB

Since January 2020, the Company's share price has been on a downward trend from approximately HK\$0.250 per Existing Share to HK\$0.055 per Existing Share as at the date of the January Announcement. The Company's closing share price was mostly below

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HK\$0.060 per Share since 23 December 2020. In view of the recent drop in the share price of the Company, the Company has negotiated with subscribers of the Independent Convertible Bonds to amend the conversion price of the Independent Convertible Bonds with reference to the prevailing market price of the Existing Shares so that it is more feasible for each of them to exercise the conversion rights attaching to the respective Independent Convertible Bonds.

As the extension of the Independent Convertible Bonds for further three years is subject to the consent of holders of the Independent Convertible Bonds, in the event such consent is not granted, the Company is obliged to redeem the Independent Convertible Bonds in 2021 and October 2021, which will greatly reduce the working capital of the Group.

Market conditions have been deteriorated since the outbreak of COVID-19 pandemic, which has caused disruption to operations of many companies and delay repayment of trade receivables. As a result of the combined effect of the trade war between China and the United States and the COVID-19 pandemic, the Group's revenue has decreased by approximately 18.8% from approximately HK\$2,572 million to approximately HK\$2,087 million. Despite the decrease in revenue, the Group's trade and bills receivables have increased by approximately 7.6% from approximately HK\$1,766 million as at 31 March 2020 to approximately HK\$1,901 million as at 30 September 2020 as a result of the delay repayment by our customers. The total amount of bank borrowings of the Group due within one year and convertible bonds amounted to approximately HK\$2,995 million as at 30 September 2020, whereas its bank balances and cash has decreased by approximately 57.7% to approximately HK\$546 million as at 30 September 2020 from approximately HK\$1,291 million as at 31 March 2020, as a result of the impact of the COVID-19 pandemic and the repayment of bank borrowings. As such, there is a shortfall in cash in repaying the Group's bank borrowings due within one year and convertible bonds (if extension is not granted) when they fall due. The reduction in conversion price of the Independent Convertible Bonds can provide a more realistic alternative to holders of the Independent Convertible Bonds to capitalise the debt owed by the Company. As disclosed in the announcements of the Company dated 14 December 2020 and 23 December 2020, the Group has been affected by, among others, the trade war between the United States of America and the People's Republic of China and the on-going COVID-19. The Group has experienced gradual cancellation of orders as well as delay in shipment of goods due to suspension of business operation of corporations and closure of shops across the world. Several banks have also tighten their credit policy and have taken a more cautious and prudent approach in granting new bank facilities to the Group or refinancing the Group's existing bank borrowings. In some occasions, the Group has even experienced withdrawal, reduction and cancellation of banking facilities by the banks, which has led to deterioration of the cashflow of the Group. As a result, the Group was unable to repay some of its bank borrowings by its due date. Given the financial pressure and economic uncertainty brought about by the COVID-19 pandemic, the management considers it is prudent to negotiate with the holders of the Independent Convertible Bonds at an earlier stage since the Proposed Amendment are subject to approval by the Shareholders and the Proposed

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Amendment is expected to be completed only in about March 2021, which is less than nine months prior to the expiry of the Independent Convertible Bonds, if extension for a further three years is not granted.

Given (i) the financial impact brought by COVID-19 pandemic, including the decrease in inflow of cash due to drop in revenue and delay in repayment by the Group's customers; (ii) the comparatively low cash position of the Group as compared to its bank borrowings due within one year and convertible bonds issued by the Company; (iii) the recurring overheads and expenses incurred to maintain operation during the COVID-19 pandemic leading to the increase in operating cash outflow; and (iv) the Group is unable to meet the scheduled repayment of its bank borrowings by their due dates, the management considers that more working capital is required to be maintained. Each of Mr. Wang and Mr. Wong has indicated that, upon the Proposed Amendment taking effective and that there is no substantial change in the share price of the Company, they have the intention to convert their respective Independent Convertible Bonds partially or in full, subject to the terms of the Independent Convertible Bonds (as amended by the Deeds of Amendment for Independent CB). When each of the respective Independent Convertible Bonds holders exercises their conversion rights for issue of the Conversion Shares, it allows the Company to free up financial resources from repayment of the Convertible Bonds which can be used for other working capital and operating purposes and to strengthen the capital base of the Company.

It is noted that upon conversion of the Convertible Bonds by the respective bondholders, the shareholding interest of the Shareholders (other than the bondholders) will be diluted, details of which are included in the paragraph headed "Effect on the shareholding structure" in this circular, however the Directors considered that (i) the bondholders may not necessarily convert the Convertible Bonds in full, or at all; (ii) in the event Pearl Garden and Madian Star convert the Connected Convertible Bonds to the extent that the Concert Group controls or is interested in 30% or more of the then issued voting share capital, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive, the Concert Group is obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Concert Group pursuant to Rule 26.1 of the Takeovers Code as a result of the issue of Conversion Shares pursuant to the proposed conversion of the Convertible Bonds in full, and such waiver is subject to independent Shareholders' approval; (iii) Mr. Wang and Mr. Wong shall not exercise the conversion rights to the extent that, upon such conversion, the shareholding of Mr. Li, Mr. Chen, and companies directly or indirectly, controlled or interested in by any of them would, in aggregate, fall to equal or less than 20% of the entire issued share capital of the Company; and (iv) the potential dilution has been reduced since the Adjusted Conversion Price were set at a premium over the closing price of the Shares on the Last Trading Day of approximately 9.09%; and (v) the financial needs of the Company as mentioned above and that the conversion of the Convertible Bonds will reduce the burden of the Group in repaying the Convertible Bonds and improving the financial position of the Group for its operation, the Directors are of the view that the Proposed Amendment is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Given the recent unpredictability of the global economy and the financial pressure brought by the COVID-19 pandemic, the management is of the view that more working capital has to be reserved for the Group's operation. Accordingly, the Expansion has been deferred. As at the Latest Practicable Date, the Expansion has not been implemented and no commitment in respect of the Expansion has been reached or entered into by the Company. The management will closely monitor the economic impact caused by the COVID-19 pandemic and will assess the viability of the Expansion when the COVID-19 pandemic is contained.

The Proposed Amendment is arrived at after arm's length negotiation between the Company and each of the subscribers of the Independent Convertible Bonds. The Directors consider that the terms and conditions of the Deeds of Amendment for Independent CB are fair and reasonable, and the relevant Proposed Amendment is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

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

INFORMATION OF THE SUBSCRIBERS OF THE INDEPENDENT CONVERTIBLE BONDS

Mr. Wang is a Hong Kong citizen. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Mr. Wang is an Independent Third Party.

Mr. Wong is a Hong Kong citizen. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Mr. Wong is an Independent Third Party.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the Share Consolidation becoming effective; (iii) upon full conversion of the Independent Convertible Bonds (based on the Adjusted Conversion Price of HK\$0.60 per Consolidated Conversion Share); (iv) upon full conversion of the Connected Convertible Bonds (based on the adjusted conversion price of HK\$10.45 per Consolidated Conversion Share); (v) upon full conversion of the Independent Convertible Bonds (based on the Adjusted Conversion Price of HK\$0.60 per Consolidated Conversion Share) and the Connected Convertible Bonds (based on the adjusted conversion price of HK\$10.45 per Consolidated Conversion Share); and (vi) upon conversion of the Independent Convertible Bonds (based on the Adjusted Conversion Price of HK\$0.60 per Consolidated Conversion Share) to the maximum extent with all the conversion restrictions under the Independent Convertible Bonds and Connected Convertible Bonds being complied with, assuming there

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is no other change in the issued share capital of the Company from the Latest Practicable Date and up to Completion apart from the Share Consolidation, is as follows:

	As at the Latest Practicable Date		Upon the Share Consolidation becoming effective		Upon full conversion of the Independent Convertible Bonds		Upon full conversion of the Connected Convertible Bonds		Upon full conversion of the Independent Convertible Bonds and the Connected Convertible Bonds		Upon conversion of the Independent Convertible Bonds to the maximum extent with all the conversion restrictions under the Independent Convertible Bonds and Connected Convertible Bonds being complied with	
	Number of Shares	Approx. % (Note 1)	Number of Shares	Approx. % (Note 1)	Number of Shares	Approx. % (Notes 1 and 7)	Number of Shares	Approx. % (Notes 1 and 8)	Number of Shares	Approx. % (Notes 1 and 9)	Number of Shares	Approx. % (Notes 1 and 10)
Directors and substantial Shareholders												
Pearl Garden (Note 2)	313,702,200	13.46	31,370,220	13.46	31,370,220	7.00	50,508,975	18.61	50,508,975	10.39	31,370,220	10.02
Madian Star (Note 3)	313,702,200	13.46	31,370,220	13.46	31,370,220	7.00	50,508,975	18.61	50,508,975	10.39	31,370,220	10.02
Mr. Chen (Note 4)	1,647,000	0.07	164,700	0.07	164,700	0.04	164,700	0.06	164,700	0.03	164,700	0.05
Mr. Phaisalakani Vichai (Note 5)	3,744,000	0.16	374,400	0.16	374,400	0.08	374,400	0.14	374,400	0.08	374,400	0.12
FMR LLC (Note 6)	234,436,898	10.06	23,443,689	10.06	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Wang	N/A	N/A	N/A	N/A	106,666,666	23.81	—	—	106,666,666	21.93	40,000,000	12.78
Mr. Wong	N/A	N/A	N/A	N/A	108,333,333	24.18	—	—	108,333,333	22.27	40,000,000	12.78
Sub-total	867,232,298	37.21	86,723,229	37.21	278,279,539	62.11	101,557,050	37.42	316,557,049	65.09	143,279,540	45.77
Public Shareholders												
FMR LLC (Note 6)	N/A	N/A	N/A	N/A	23,443,689	5.23	23,443,689	8.64	23,443,689	4.82	23,443,689	7.49
Mr. Wang	—	—	—	—	N/A	N/A	—	—	N/A	N/A	N/A	N/A
Mr. Wong	—	—	—	—	N/A	N/A	—	—	N/A	N/A	N/A	N/A
Other public Shareholders	1,463,503,645	62.79	146,350,365	62.79	146,350,365	32.66	146,350,365	53.94	146,350,365	30.09	146,350,365	46.75
Sub-total	1,463,503,645	62.79	146,350,365	62.79	169,794,054	37.89	169,794,054	62.58	169,794,054	34.91	169,794,054	54.24
Total	2,330,735,943	100.00	233,073,594	100.00	448,073,593	100.00	271,351,104	100.00	486,351,103	100.00	313,073,594	100.00

Notes:

- Certain percentages above have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- These Shares were held by Pearl Garden. 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 the family members of Mr. Li Ming Hung, an executive Director.
- These Shares were held by Madian Star. 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 the family members of Mr. Chen, an executive Director.
- Mr. Chen is an executive Director.
- Mr. Phaisalakani Vichai is an independent non-executive Director.
- Based on the disclosure of interests form filed by FMR LLC on 25 August 2020, these Shares were held by companies controlled by FMR LLC.
- This scenario is for illustrative purpose only. Pursuant to the conversion restrictions under the terms and conditions of the Independent Convertible Bonds (as amended by the respective Deeds of Amendment for Independent CB), Mr. Wang and Mr. Wong shall not exercise the conversion rights

LETTER FROM THE BOARD

to the extent that, upon such conversion, (i) the shareholding of Mr. Li, Mr. Chen, and companies directly or indirectly, controlled or interested in by any of them would, in aggregate, fall to equal or less than 20% of the entire issued share capital of the Company; and (ii) each of Mr. Wang and Mr. Wong will be holding or controlling 20% or more of the voting rights in the Company and will be treated as presumed parties acting in concert under the Takeovers Code triggering a change in control.

8. This scenario is for illustrative purpose only. Pursuant to the conversion restrictions under the terms and conditions of the Connected Convertible Bonds, Pearl Garden and Madian Star shall not exercise the conversion rights to the extent that, upon such conversion, the Concert Group will, in aggregate, control or be interested in 30% or more of the voting rights of the Company.
9. This scenario is for illustrative purpose only. Pursuant to the conversion restrictions under the terms and conditions of the Independent Convertible Bonds (as amended by the respective Deeds of Amendment for Independent CB), Mr. Wang and Mr. Wong shall not exercise the conversion rights to the extent that, upon such conversion, each of Mr. Wang and Mr. Wong will be holding or controlling 20% or more of the voting rights in the Company and will be treated as presumed parties acting in concert under the Takeovers Code triggering a change in control.
10. This scenario is for illustrative purpose only. Pursuant to the conversion restrictions under the terms and conditions of each of the Independent Convertible Bonds (as amended by the respective Deeds of Amendment for Independent CB) and the Connected Convertible Bonds, Mr. Wang and Mr. Wong have the right to convert HK\$48,000,000 of the Independent Convertible Bonds in aggregate at the Adjusted Conversion Price of HK\$0.60 per Consolidated Conversion Share, such that, upon such conversion, 80,000,000 Consolidated Shares in aggregate will be allotted and issued and the shareholding of Mr. Li, Mr. Chen, and companies directly or indirectly, controlled or interested in by any of them, in aggregate, will not fall to equal or less than 20% of the entire issued share capital of the Company.

Save for (i) the Independent Convertible Bonds; (ii) the Connected Convertible Bonds; (iii) 25,918,310 outstanding share options, which are exercisable during the period from 12 October 2016 to 11 October 2021 at an adjusted exercise price of HK\$3.668 per Share; (iv) 37,545,254 outstanding share options, which are exercisable during the period from 18 April 2019 to 17 April 2024 at an adjusted exercise price of HK\$0.988 per Share, there are no other outstanding convertible securities issued by the Company as at the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the Proposed Amendment pursuant to the requirements under the Listing Rules.

SGM

The SGM will be held at to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Share Consolidation; (ii) the Increase in Authorised Share Capital; (iii) the Amendment to Bye-Laws; and (iv) the Deeds of Amendment for Independent CB and the transactions contemplated thereunder.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors and having making all reasonable enquiries, none of the Shareholders have a material interest in the Share Consolidation, the Increase in Authorised Share Capital, the Amendment to Bye-Laws and the transactions contemplated under the Deeds of Amendment for Independent CB. Accordingly, no Shareholders will be required to abstain from voting on the resolution to approve the Share Consolidation, the Increase in Authorised Share Capital, the Amendment to Bye-Laws and the Deeds of Amendment for Independent CB and the transactions contemplated thereunder at the SGM.

None of the Directors are considered as having a material interest in the Share Consolidation, the Increase in Authorised Share Capital, the Amendment to Bye-Laws and the transactions contemplated under the Deeds of Amendment for Independent CB.

For the purpose of determining the list of shareholders who are entitled to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 12 March 2021 to Thursday, 18 March 2021 (both dates inclusive). No transfer of shares of the Company will be registered during these days. In order to be eligible to attend and vote at the SGM, all transfers of shares, accompanied by the relevant share certificate(s), must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Thursday, 11 March 2021.

The notice convening the SGM to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on Thursday, 18 March 2021 at 10:00 a.m. is set out on pages SGM-1 to SGM-7 of this circular.

A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM (i.e. 10:00 a.m. on Tuesday, 16 March 2021, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that while the Deeds of Amendment for Independent CB and the transactions contemplated thereunder are not in the ordinary course of business of the Company, the terms of the Deeds of Amendment for Independent CB and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned, and has entered into on normal commercial terms, and the Share Consolidation, the Increase in Authorised Share Capital, the Amendment to Bye-Laws and the Deeds of Amendment for Independent CB and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and recommends that the Shareholders vote in favour of the resolutions relating thereto at the SGM.

FURTHER INFORMATION

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

Warnings: Shareholders and potential investors should take note that the Share Consolidation is conditional upon satisfaction of conditions set out in the sub-paragraph headed “Conditions of the Share Consolidation”. Therefore, the Share Consolidation may or may not proceed.

The Proposed Amendment is subject to the fulfilment of a number of conditions, including but not limited to approval of the respective Deeds of Amendment for Independent CB by the Shareholders at the SGM and the Amendment to Bye-Laws taking effect. As such, the Proposed Amendment may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company or its associated corporations

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

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Li	The Company	Founder of a trust	505,089,760 Shares (L) (Notes 2 & 4)	—	21.67%
	The Company	Beneficial owner	—	40,568 Shares (L) (Note 5)	0.002%
	Victory City Company Limited (Note 16)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%
	Victory City Overseas Limited (Note 16)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	—	39.4%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Chen	The Company	Founder of a trust	505,089,760 Shares (L) (Notes 3 & 4)	—	21.67%
	The Company	Beneficial owner	1,647,000 Shares (L) (Note 6)	—	0.07%
	The Company	Beneficial owner	—	40,568 Shares (L) (Note 5)	0.002%
	Victory City Company Limited (Note 16)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%
	Victory City Overseas Limited (Note 16)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	—	39.4%
Mr. Lee Yuen Chiu Andy	The Company	Beneficial owner	—	507,100 Shares (L) (Note 5)	0.02%
Mr. Phaisalakani Vichai	The Company	Beneficial owner	3,744,000 Shares (L)	—	0.16%

Notes:

- The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporations.
- These Existing Shares were held by Pearl Garden. 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. These Existing Shares include (i) 313,702,200 Existing Shares held by Pearl Garden; and (ii) 191,387,560 Existing Shares to be issued upon full exercise of the conversion rights attached to the Connected Convertible Bonds issued to Pearl Garden on 28 June 2019 at the adjusted conversion price of HK\$1.045 per Existing Conversion Share.
- These Existing Shares were held by Madian Star. 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. These Existing Shares include (i) 313,702,200 Existing Shares held by Madian Star; and (ii) 191,387,560 Existing Shares to be issued upon full exercise of the conversion rights attached to the Connected Convertible Bonds issued to Madian Star on 28 June 2019 at the adjusted conversion price of HK\$1.045 per Existing Conversion Share.

4. On 28 June 2019, the Company issued the Connected Convertible Bonds to each of Pearl Garden and Madian Star with a principal sum of HK\$200,000,000 and HK\$200,000,000 respectively for a term of two years (extendable to five years subject to agreement). Each of Pearl Garden and Madian Star has the right to convert its portion of the Connected Convertible Bonds for 191,387,560 Existing Shares at the adjusted conversion price of HK\$1.045 per Existing Conversion Share, upon full exercise of their respective conversion rights.
5. On 18 April 2019, Mr. Li, Mr. Chen and Mr. Lee Yuen Chiu Andy were granted 400,000, 400,000 and 5,000,000 options respectively under the Share Option Scheme to subscribe for 400,000, 400,000 and 5,000,000 Shares respectively, exercisable at a price of HK\$0.1002 per share of the Company of HK\$0.01 each during a period from 18 April 2019 to 17 April 2024. Upon completion of the share consolidation and the rights issue, the number of options owned by Mr. Li, Mr. Chen and Mr. Lee Yuen Chiu Andy was adjusted to 40,568, 40,568 and 507,100 options respectively under the Share Option Scheme to subscribe for 40,568, 40,568 and 507,100 Shares respectively, exercisable at an adjusted price of HK\$0.988 per Share during a period from 18 April 2019 to 17 April 2024.
6. These Shares include 1,647,000 Shares beneficially owned by Mr. Chen.

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

(b) Substantial shareholders and other persons' interests and short positions in Shares and underlying Shares

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

Name of person/entity	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Pearl Garden	505,089,760 (L)	Beneficial owner (Note 2)	21.67%
Cornice Worldwide Limited	505,089,760 (L)	Interest of controlled corporation (Note 2)	21.67%
Madian Star	505,089,760 (L)	Beneficial owner (Note 3)	21.67%
Yonice Limited	505,089,760 (L)	Interest of controlled corporation (Note 3)	21.67%
Fiducia Suisse SA	1,010,179,520 (L)	Trustee (Note 6)	43.34%
Mr. David Henry Christopher Hill	1,010,179,520 (L)	Interest of controlled corporation (Note 6)	43.34%
Ms. Ho Yuen Mui Shirley	505,130,328 (L)	Interest of spouse (Note 4)	21.67%
Ms. Or Kwai Ying	506,777,328 (L)	Interest of spouse (Note 5)	21.74%
Mr. Wang	1,066,666,666 (L)	Beneficial owner (Note 7)	45.77%
Ms. Or Min Min	1,066,666,666 (L)	Interest of spouse (Note 8)	45.77%
Mr. Wong	1,083,333,333 (L)	Beneficial owner (Note 9)	46.48%
Ms. Chan Sik Chi	1,083,333,333 (L)	Interest of spouse (Note 10)	46.48%
FMR LLC	234,436,898 (L)	Interest of controlled corporation (Note 11)	10.06%
Fidelity Puritan Trust	130,157,280 (L)	Beneficial owner	5.58%

Notes:

- The letter "L" represents the person's or entity's interests in the Existing Shares and underlying Existing Shares.
- These Existing Shares were held by Pearl Garden. 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. These Existing Shares include (i) 313,702,200 Shares held by Pearl Garden; and (ii) 191,387,560 Existing Shares to be issued upon full exercise of the conversion rights attached to the Connected Convertible Bonds issued to Pearl Garden on 28 June 2019 at the adjusted conversion price of HK\$1.045 per Existing Conversion Share.
- These Existing Shares were held by Madian Star. 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. These Existing Shares include (i) 313,702,200 Shares held by Madian Star; (ii) 191,387,560 Existing Shares to be issued upon full exercise of the conversion rights attached to the Connected Convertible Bonds issued to Madian Star on 28 June 2019 at the adjusted conversion price of HK\$1.045 per Existing Conversion Share.

4. Ms. Ho Yuen Mui Shirley is the wife of Mr. Li.
5. Ms. Or Kwai Ying is the wife of Mr. Chen.
6. These Existing Shares were held by Fiducia Suisse SA as discretionary trustee for Mr. Li's family members and Mr. Chen's family members. Fiducia Suisse SA is wholly owned by Mr. David Henry Christopher Hill.
7. These Existing Shares represented 1,066,666,666 Existing Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds A (as amended by the Deed of Amendment A, subject to the Shareholders' approval) issued to Mr. Wang on 13 August 2019 at the Adjusted Conversion Price of HK\$0.060 per Existing Conversion Share (assuming the Share Consolidation does not become effective).
8. Ms. Or Min Min is the spouse of Mr. Wang.
9. These Existing Shares represented 1,083,333,333 Existing Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds B (as amended by the Deed of Amendment B, subject to the Shareholders' approval) issued to Mr. Wong on 23 October 2019 at the Adjusted Conversion Price of HK\$0.060 per Existing Conversion Share.
10. Ms. Chan Sik Chi is the spouse of Mr. Wong.
11. Based on the disclosure of interests form filed by FMR LLC on 25 August 2020, these Shares were held by companies controlled by FMR LLC.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no person (other than a Director or chief executive of the Company) who had an interest or a short position in the Existing Shares and/or underlying Existing Shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any service agreements proposed which would not expire or be determinable by the members of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

None of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Company were made up.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest within the Group.

6. LITIGATION

As the disclosed in the announcement of the Company dated 23 December 2020, each of the Company and several subsidiaries of the Company received a statutory demand dated 22 December 2020 in relation to, among others, several facilities granted by Chong Hing Bank to the Group. The Group was demanded to pay, secure or compound for in the sum of HK\$304,172,789.10, together with further interest accruing on the principal sums at the contractual interest rates starting from 19 December 2020 until the date of full repayment of the amount.

As the disclosed in the announcement of the Company dated 18 January 2021, each of the Company and several subsidiaries of the Company received a statutory demand dated 15 January 2021 in relation to, among others, several facilities granted by The Hongkong and Shanghai Banking Corporation Limited to the Group. The Group was demanded to pay, secure or compound for in the aggregate sum of HK\$1,068,118,211.27 and US\$13,717,834.03.

As the disclosed in the announcement of the Company dated 3 February 2021, on 3 February 2021, (i) the Company and two subsidiaries of the Company, namely Victory City Overseas Limited and Global Honour Investments Limited, being the guarantors in respect of a facility in the principal sums of HK\$2,226,000,000 and US\$48,000,000 with an accordion feature of up to HK\$500,000,000 (the “**Facility**”) granted by a syndicate of banks, received a statutory demand dated 2 February 2021 in relation to the Facility for the repayment in the sum of US\$36,466,903.35 and HK\$1,904,393,101.89, being the outstanding principal amount of the Facility, together with interest and other expenses accrued as at 2 February 2021, and further interest on such amount until the date of full repayment; and (ii) Victory City Company Limited (as borrower) and Best Linkage (Macao Commercial Offshore) Limited (as guarantor) received a statutory demand dated 3 February 2021 in relation to the Facility for the repayment in the sum of US\$36,470,818.67 and HK\$1,904,603,826.32, being the outstanding principal amount of the Facility, together with interest and other expenses accrued as at 3 February 2021, and further interest on such amount until the date of full repayment.

As the disclosed in the announcement of the Company dated 9 February 2021, on 9 February 2021, each of the Company and several subsidiaries of the Company received a statutory demand dated 7 February 2021 in relation to, among others, several facilities granted by DBS Bank (Hong Kong) Limited to Victory City Company Limited, a subsidiary of the Company. Each of the Company and several subsidiaries of the Company was demanded to pay, secure or compound for the aggregate sum of HK\$7,674,708.92 and US\$2,829,375.15.

Save and except as the disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL ADVERSE CHANGE

On 11 November 2020, the Company issued a profit warning and announced that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 September 2020, the Group is anticipated to have a significant decrease in profit attributable to owners of the Company by approximately 75% for the six months ended 30 September 2020 as compared to that for the six months ended 30 September 2019 due to (i) the decrease in revenue of not less than 15% as a result of the deteriorated market conditions brought by the trade war between China and the United States and the COVID-19 pandemic; and (ii) the decrease in other gains and losses of not less than 90% primarily due to the one-off gain of approximately HK\$67.3 million recognised during the six months ended 30 September 2019 for the disposal of a piece of land by Nanjing Synergy Textiles Limited, a subsidiary of the Company.

As disclosed in the announcement of the Company dated 14 December 2020, the Group was unable to meet the scheduled repayment of the Facility which fell due on 14 December 2020. On 3 February, the Group received statutory demands dated 2 February 2021 and 3 February 2021 in respect of the Facility. For further details, please refer to the paragraph headed “Litigation” in this appendix.

As disclosed in the announcements of the Company dated 23 December 2020 and 18 January 2021, the Group received statutory demands from Chong Hing Bank for the sum of HK\$304,172,789.10 and The Hongkong and Shanghai Banking Corporation Limited for the aggregate sum of HK\$1,068,118,211.27 and US\$13,717,834.03, respectively.

As disclosed in the announcement of the Company dated 9 February 2021, each of the Company and several subsidiaries of the Company received a statutory demand from DBS Bank (Hong Kong) Limited for the aggregate sum of HK\$7,674,708.92 and US\$2,829,375.15.

As the disclosed in the announcement of the Company dated 16 February 2021, the Company presented and filed a winding up petition together with an application for the appointment of joint and several provisional liquidators of the Company (for restructuring purposes) on a “light touch” approach for restructuring purposes to the Supreme Court of Bermuda on 11 February 2021.

Save and except as the disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statement of the Group were made up.

8. MISCELLANEOUS

- (i) The registered office of the Company is at Clarendon House, Church Street, Hamilton, HM 11, Bermuda.
- (ii) The branch share registrar of the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The company secretary of the Company is Mr. Shin Yick Fabian, as a fellow member of Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants, the Chartered Governance Institute (formerly Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries.
- (iv) The English text of this Circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this Circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Subscription Agreements;
- (c) the Deeds of Amendment for Independent CB;
- (d) the Supplemental Deeds; and
- (e) this circular.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

*(Joint provisional liquidators appointed)
(For restructuring purposes only)
(Incorporated in Bermuda with limited liability)*
(Stock Code: 539)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “SGM”) of Victory City International Holdings Limited (the “Company”) will be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on Thursday, 18 March 2021 at 10:00 a.m. to consider and, if thought fit, pass the following purposes:

SPECIAL RESOLUTION

1. **“THAT** the bye-laws of the Company (the “Bye-Laws”) be amended by deleting the existing Bye-Law 150 in its entirety and replacing the following new Bye-Law 150 (the “Amendment to Bye-Laws”):

“150. The following provisions shall have effect to the extent that they are not prohibited by and are in compliance with the Act:

- (1) If, so long as any of the rights attached to any shares, options, warrants, derivatives, notes, bonds or other securities carrying rights of conversion or exchange into, or subscription for, shares of the Company (collectively, “Relevant Securities”) issued by the Company shall remain exercisable, the Company does any act or engages in any transaction which, as a result of any adjustments to the subscription price in accordance with the provisions of the conditions of the Relevant Securities, would reduce the subscription price to below the nominal value of a share, then the following provisions shall apply:
 - (a) as from the date of the adoption of this Bye-law or such act or transaction the Company shall establish and thereafter (subject as provided in this Bye-law) maintain in accordance with the provisions of this Bye-law a reserve (the “Subscription Rights Reserve”) the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional shares required to be issued and allotted credited as fully paid pursuant to sub-paragraph (c) below on

* for identification purposes only

NOTICE OF THE SGM

the exercise in full of all the subscription rights outstanding and shall apply the Subscription Rights Reserve in paying up such additional shares in full as and when the same are allotted;

- (b) the Subscription Rights Reserve shall not be used for any purpose other than that specified above unless all other reserves of the Company (other than share premium account) have been extinguished and will then only be used to make good losses of the Company if and so far as is required by law;
- (c) upon the exercise of all or any of the subscription rights represented by any Relevant Securities, the relevant subscription rights shall be exercisable in respect of a nominal amount of shares equal to the amount in cash which the holder of such Relevant Securities is required to pay on exercise of the subscription rights represented thereby (or, as the case may be the relevant portion thereof in the event of a partial exercise of the subscription rights) and, in addition, there shall be allotted in respect of such subscription rights to the exercising holder of such Relevant Securities (the “**Relevant Holder**”), credited as fully paid, such additional nominal amount of shares as is equal to the difference between:
 - (i) the said amount in cash which the holder of such Relevant Securities is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights); and
 - (ii) the nominal amount of shares in respect of which such subscription rights would have been exercisable having regard to the provisions of the conditions of the Relevant Securities, had it been possible for such subscription rights to represent the right to subscribe for shares at less than par,

and immediately upon such exercise so much of the sum standing to the credit of the Subscription Rights Reserve as is required to pay up in full such additional nominal amount of shares shall be capitalised and applied in paying up in full such additional nominal amount of shares which shall forthwith be allotted credited as fully paid to the exercising Relevant Holders; and

- (d) if, upon the exercise of the subscription rights represented by any Relevant Securities, the amount standing to the credit of the Subscription Rights Reserve is not sufficient to pay up in full such additional nominal amount of shares equal to such difference as aforesaid to which the exercising Relevant Holder is entitled, the Board shall apply any profits or reserves then or thereafter becoming available (including, to the extent permitted by law, share premium

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account or amounts standing to the contributed surplus account of the Company) for such purpose until such additional nominal amount of shares is paid up and allotted as aforesaid and until then no dividend or other distribution shall be paid or made on the fully paid shares of the Company then in issue. Pending such payment and allotment, the exercising Relevant Holder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one share in the like manner as the shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the Board may think fit and adequate particulars thereof shall be made known to each relevant exercising Relevant Holder upon the issue of such certificate.

- (2) Shares allotted pursuant to the provisions of this Bye-law shall rank *pari passu* in all respects with the other shares allotted on the relevant exercise of the subscription rights represented by the Relevant Securities concerned. Notwithstanding anything contained in paragraph (1) of this Bye-law, no fraction of any share shall be allotted on exercise of the subscription rights.
- (3) The provision of this Bye-law as to the establishment and maintenance of the Subscription Rights Reserve shall not be altered or added to in any way which would vary or abrogate, or which would have the effect of varying or abrogating the provisions for the benefit of any Relevant Holder or class of Relevant Holders under this Bye-law without the sanction of a special resolution of such Relevant Holders or class of Relevant Holders.
- (4) A certificate or report by the auditors for the time being of the Company as to whether or not the Subscription Rights Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purposes for which the Subscription Rights Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the additional nominal amount of shares required to be allotted to exercising Relevant Holders credited as fully paid, and as to any other matter concerning the Subscription Rights Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all Relevant Holders and shareholders.”

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ORDINARY RESOLUTIONS

2. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Consolidated Shares (as hereinafter defined), every ten existing issued and unissued shares of HK\$0.1 each in the share capital of the Company (each an “**Existing Share**”) be and are hereby consolidated into one share of HK\$1.0 (each a “**Consolidated Share**”) with effect from the second business day immediately following the day on which this resolution is passed (the “**Share Consolidation**”) and the directors of the Company (the “**Directors**”) be authorised to issue new share certificates in respect of the Consolidated Shares to holders of issued existing shares of the Company pursuant to the Share Consolidation and to do all things and execute all documents in connection with or incidental to the Share Consolidation.”
3. “**THAT** subject to passing of the ordinary resolution numbered 2 as set out in the notice convening the SGM above and the Share Consolidation becomes effective,
 - (a) the authorised share capital of the Company be increased from HK\$400,000,000 divided into 400,000,000 Consolidated Shares to HK\$1,000,000,000 divided into 1,000,000,000 Consolidated Shares by the creation of an additional 600,000,000 Consolidated Shares (the “**Increase in Authorised Share Capital**”); and
 - (b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Increase in Authorised Share Capital.”
4. “**THAT** subject to passing of the special resolution numbered 1 as set out in the notice convening the SGM above,
 - (a) the deed of amendment dated 23 October 2020 (as amended and supplemented by the supplemental deed dated 29 January 2021) (the “**Deed of Amendment A**”) entered into between the Company and Mr. Wang Chia Po in relation to the amendment of certain terms and conditions (the “**Proposed Amendment A**”) of the convertible bonds issued by the Company in the amount of HK\$64,000,000 on 13 August 2019 (the “**Convertible Bonds A**”) (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, ratified and confirmed, and all the transactions contemplated thereunder, including the Proposed Amendment A, be and are hereby approved, ratified and confirmed;

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- (b) subject to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) having approved the Proposed Amendment A, and the Listing Committee of the Stock Exchange granting approval for the listing of, and the permission to deal in, the Conversion Shares A (as defined below) on the Stock Exchange, the Board be and is hereby granted a specific mandate for the allotment and issue of the Existing Shares (if the Share Consolidation does not become effective) or the Consolidated Shares (if the Share Consolidation becomes effective) upon exercise of the conversion rights under the Convertible Bonds A (as amended by the Deed of Amendment A) (the “**Conversion Shares A**”); and
 - (c) subject to and conditional upon the fulfilment of the conditions in the Deed of Amendment A, the directors of the Company (the “**Directors**”) be and are hereby authorised to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the Deed of Amendment A and the transactions contemplated thereunder.”
5. “**THAT** subject to passing of the special resolution numbered 1 as set out in the notice convening the SGM above,
- (a) the deed of amendment dated 23 October 2020 (as amended and supplemented by the supplemental deed dated 29 January 2021) (the “**Deed of Amendment B**”) entered into between the Company and Mr. Wong Shu Fat in relation to the amendment of certain terms and conditions (the “**Proposed Amendment B**”) of the convertible bonds issued by the Company in the amount of HK\$65,000,000 on 23 October 2019 (the “**Convertible Bonds B**”) (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, ratified and confirmed, and all the transactions contemplated thereunder, including the Proposed Amendment B, be and are hereby approved, ratified and confirmed;
 - (b) subject to the Stock Exchange having approved the Proposed Amendment B, and the Listing Committee of the Stock Exchange granting approval for the listing of, and the permission to deal in, the Conversion Shares B on the Stock Exchange, the Board be and is hereby granted a specific mandate for the allotment and issue of the Existing Shares (if the Share Consolidation does not become effective) or the Consolidated Shares (if the Share Consolidation becomes effective) upon exercise of the conversion rights under the Convertible Bonds B (as amended by the Deed of Amendment B) (the “**Conversion Shares B**”); and

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- (c) subject to and conditional upon the fulfilment of the conditions in the Deed of Amendment B, the Directors be and are hereby authorised to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the Deed of Amendment B and the transactions contemplated thereunder.”

By order of the board of Directors of
Victory City International Holdings Limited
Li Ming Hung
Chairman

Hong Kong, 23 February 2021

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business in Hong Kong:*
Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
New Territories
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares and entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time of the meeting (i.e. 10:00 a.m. on Tuesday, 16 March 2021, Hong Kong time) or any adjourned meeting.
3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 12 March 2021 to Thursday, 18 March 2021 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 11 March 2021.
6. A form of proxy for use at the SGM is enclosed with the circular to the shareholders of the Company.
7. The votes to be taken at the SGM will be determined by way of a poll.
8. As at the date of this notice, the board of Directors comprises Mr. Li Ming Hung, Mr. Chen Tien Tui and Mr. Lee Yuen Chiu Andy as executive Directors and Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi as independent non-executive Directors.