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VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

CONNECTED TRANSACTION: REDEMPTION OF EXISTING CONVERTIBLE BONDS BY WAY OF ISSUANCE OF NEW CONVERTIBLE BONDS

REDEMPTION NOTICE

On 26 April 2019 (after trading hours), the Company served and the Subscribers accepted, the Redemption Notice in relation to the redemption of the Existing Convertible Bonds in the principal amount of HK\$400,000,000 by way of issuance of the New Convertible Bonds in an aggregate principal amount of HK\$400,000,000 to the Subscribers pursuant to the Subscription Agreement.

Completion of the Redemption is conditional on completion of the Subscriptions in accordance with the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

Accordingly, on 26 April 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers in relation to, among others, the issue of the New Convertible Bonds in an aggregate principal amount of HK\$400,000,000 due on the date falling two years (which can, by agreement between the Bondholders and the Company, be extended to five years) after the date of issuance of the New Convertible Bonds. The initial Conversion Price is HK\$0.106 per Conversion Share, subject to adjustments set out in the New Convertible Bonds. The New Convertible Bonds bear interest from and including the Issue Date at the rate of 5% per annum payable semi-annually.

Upon full conversion of the New Convertible Bonds at the initial Conversion Price, a total of 3,773,584,906 Conversion Shares will be issued to the Subscribers, representing approximately 48.57% of the issued share capital of the Company as at the date of this announcement, and approximately 32.69% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The conversion of the New Convertible Bonds are subject to, among others, the Bondholder(s) and parties acting in concert with it, taken together, shall not directly or indirectly, control or be interested in 30% or more of the entire issued share capital of the Company or otherwise trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.

Completion of the Subscriptions is subject to the satisfaction and/or waiver of the conditions precedent set out in the Subscription Agreement. In addition, the Subscription Agreement may be terminated in certain circumstances.

IMPLICATIONS UNDER THE LISTING RULES

Pearl Garden (being one of the Subscribers) is a substantial shareholder of the Company, holding 1,045,674,000 Shares (representing approximately 13.46% of the total issued share capital of the Company) as at the date of this announcement. Accordingly, Pearl Garden is a connected person of the Company under Chapter 14A of the Listing Rules.

Madian Star (being one of the Subscribers) is a substantial shareholder of the Company, holding 1,045,674,000 Shares (representing approximately 13.46% of the total issued share capital of the Company) as at the date of this announcement. Accordingly, Madian Star is a connected person of the Company under Chapter 14A of the Listing Rules.

Therefore, the Subscriptions and the transactions contemplated thereunder constitute connected transactions for the Company and subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. Pearl Garden and Madian Star and their respective associates shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Subscriptions and the transactions contemplated thereunder (including the obtaining of the Specific Mandate).

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in relation to the Subscriptions and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, (i) details of the Subscriptions, transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Subscriptions, transactions contemplated thereunder; and (iv) the notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 21 May 2019.

Warnings: The Subscriptions are subject to the fulfilment or waiver (as the case may be) of a number of conditions, including but not limited to approval of the Subscriptions by the Independent Shareholders at the SGM. As such, the Subscriptions 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.

THE REDEMPTION NOTICE

On 26 April 2019 (after trading hours), the Company served and the Subscribers accepted, the Redemption Notice in relation to the redemption of the Existing Convertible Bonds in the principal amount of HK\$400,000,000 by way of issuance of the New Convertible Bonds in an aggregate principal amount of HK\$400,000,000 to the Subscribers pursuant to the Subscription Agreement.

Completion of the Redemption is conditional on completion of the Subscriptions in accordance with the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

Accordingly, on 26 April 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the New Convertible Bonds of an aggregate principal amount of up to HK\$400,000,000.

A summary of the principal terms of the Subscription Agreement is set out below.

Date: 26 April 2019 (after trading hours)

Parties:

Issuer: The Company

The Subscribers: (1) Pearl Garden Pacific Limited; and
(2) Madian Star Limited

The New Convertible Bonds will be subscribed by the Subscribers in the following proportion:

Subscriber	Amount (HK\$)	Number of Conversion Shares (subject to adjustment)
Pearl Garden	200,000,000	1,886,792,453
Madian Star	<u>200,000,000</u>	<u>1,886,792,453</u>
Total	<u><u>400,000,000</u></u>	<u><u>3,773,584,906</u></u>

Pearl Garden is an investment holding company incorporated in the BVI whose issued share capital 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. As at the date of this announcement, Pearl Garden is a substantial Shareholder of the Company and, accordingly, Pearl Garden is a connected person under the Listing Rules.

Madian Star is an investment holding company incorporated in the BVI whose issued share capital 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. As at the date of this announcement, Madian Star is a substantial Shareholder of the Company and, accordingly, Madian Star is a connected person under the Listing Rules.

Subject matter

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for the New Convertible Bonds in the aggregate principal amount of HK\$400,000,000 on the Completion Date.

Conditions precedent

The subscription by the Subscribers of the New Convertible Bonds is conditional upon the following conditions being fulfilled (or waived, if applicable) at or before 5:00 p.m. on the Longstop Date:

- (1) the Listing Committee having granted listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the New Convertible Bonds;
- (2) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before Completion and none of the warranties set out in the Subscription Agreement having been breached by the Company in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (3) the Board approving and authorising the execution and completion of the Subscription Agreement and the instrument constituting the New Convertible Bonds, the creation and issue of the New Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the New Convertible Bonds; and
- (4) the passing of all necessary Independent Shareholders' approval of the Company (as required), among other matters, regarding the issue of the New Convertible Bonds, authorising the Board to allot and issue the Conversion Shares upon exercise of conversion rights attaching to the New Convertible Bonds in compliance with the applicable requirements under the Listing Rules.

The Subscribers may, at their discretion and upon such terms as they think fit, waive compliance with the condition (2) set out above.

In the event that any of the above conditions is not fulfilled (or waived, if applicable) on or before the Longstop Date, the Redemption Notice shall become null and void and cease to have any effect and none of the Company and the Bondholders shall have any claims against the other in respect of the Subscriptions save for liabilities for any antecedent breaches of the Redemption Notice. Accordingly, the Subscriptions will not proceed.

Completion

Completion will take place on the Completion Date after the fulfilment or waiver (as the case may be) of the conditions set out in the Subscription Agreement.

PRINCIPAL TERMS OF THE NEW CONVERTIBLE BONDS

The principal terms of the New Convertible Bonds were arrived at after arm's length negotiations between the Company and the Subscribers and are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$400,000,000
Issue price:	100% of the principal amount of the New Convertible Bonds
Interest rate:	5% per annum on the outstanding principal amount of the New Convertible Bonds, which shall be payable in arrears on 30 June and 31 December of each year from the Issue Date until the Maturity Date.
Maturity Date:	The date falling two years (which can, by agreement between the Bondholders and the Company, be extended to five years) after the Issue Date or, if that is not a Business Day, the first Business Day thereafter.
Status:	The New Convertible Bonds will (subject to any obligations preferred by mandatory provisions of law) rank <i>pari passu</i> with all other present and future direct, unconditional and unsubordinated obligations of the Company.
Conversion right:	<p>Subject as provided in the terms of the New Convertible Bonds, the New Convertible Bonds are convertible in whole or in part into new Shares any time during the period commencing from the Issue Date, at the Conversion Price, subject to adjustment in accordance with the terms of the New Convertible Bonds. Any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 and no fraction of a Share shall be issued on conversion.</p> <p>If the issue of Conversion Shares following the exercise by a Bondholder of the conversion rights attaching to the New Convertible Bonds held by such Bondholder would result in:</p>

- (i) such Bondholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, directly or indirectly (i) 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 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 (ii) exceeding 2% creeper rule under Rule 26.1 of the Takeovers Code within any 12 month period from a holding of voting rights of between 30% and 50% and a mandatory general offer obligation will be triggered under the Takeovers Code; or
- (ii) 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 mandatory general offer being triggered under the Takeovers Code (as the case may be) and the balance of the conversion rights attaching to the New 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 New Convertible Bonds and at the same time comply with the Public Float Requirement or without triggering a mandatory general offer under the Takeovers Code.

- Conversion period: The holder(s) of the New Convertible Bonds shall have the right to convert the whole or part of the principal amount of the New Convertible Bonds into Conversion Shares for the period commencing from the Issue Date up to 4:00 p.m. on the Maturity Date.
- Conversion Price: The Conversion Price is initially HK\$0.106 per Conversion Share, subject to adjustment provisions as summarised below.

Comparison of
Conversion Price

The Conversion Price of HK\$0.106 per Conversion Share represents:

- (a) a premium of approximately 10.42% over the closing price of the Shares of HK\$0.096 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 9.50% over the average closing price of the Shares of approximately HK\$0.0968 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 7.61% over the average closing price of the Shares of approximately HK\$0.0985 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 86.91% to the unaudited net asset value per Share of approximately HK\$0.81 (based on the latest published consolidated net asset value of the Group of approximately HK\$6,267,605,000 as at 30 September 2018 as disclosed in the interim report of the Company for the six months ended 30 September 2018 and 7,769,119,810 Shares in issue as at the date of this announcement).

Adjustments to
Conversion Price:

The Conversion Price 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 New 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 Conversion Date instruct an Approved Professional Adviser to consider whether any adjustment should be made to the Conversion Price 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 in such manner as an Approved Professional Adviser certifies to be, in its opinion, appropriate.

Further provisions in relation to adjustment to Conversion Price:

- (1) Where more than one event gives or may give rise to an adjustment to the Conversion Price 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 (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 will be made, except in the case of a consolidation of the Shares.

Conversion Shares to be issued under the New Convertible Bonds:

The number of Shares to be issued upon conversion of the New Convertible Bonds shall be determined by dividing the principal amount of the relevant New Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.

Upon exercise of the conversion rights under the New Convertible Bonds in full at the initial Conversion Price of HK\$0.106 per Conversion Share, a total of 3,773,584,906 Conversion Shares will be issued, representing:

- (i) approximately 48.57% of the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 32.69% of the issued share capital of the Company as enlarged by the issue of Conversion Shares.

Redemption upon maturity:

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

Redemption by the Company:

The Company may at any time during the period commencing from the Issue Date and expiring on the Maturity Date redeem the whole or part of the outstanding New Convertible Bonds by giving the Bondholders not less than seven Business Days' prior notice at the redemption amount which is 100% of the principal amount of the outstanding New Convertible Bonds to be redeemed together with interest accrued to the relevant date of redemption.

Redemption by the Bondholders:

Each Bondholder will have the unconditional right at any time during the period commencing from the Issue Date and expiring on the Maturity Date to require the Company to redeem the whole or part of the outstanding New Convertible Bonds by giving the Company not less than 60 days prior notice at the redemption amount which is 100% of the principal amount of the outstanding New Convertible Bonds to be redeemed together with interest accrued to the relevant date of redemption.

Redemption upon events of default: Upon the occurrence of an event of default as described below and at any time thereafter, each of the Bondholders may, unless such event of default has been waived in writing by it, by notice in writing (the “**Default Redemption Notice**”) requires the Company to redeem the whole (but not part) of the outstanding principal amount of the New Convertible Bonds at the redemption amount provided in the instrument constituting the New Convertible Bonds whereupon such sum shall become due and payable in the manner provided in the instrument constituting the New Convertible Bonds on the Business Day falling after seven Business Days of the date of such notice.

Voting rights: The New Convertible Bonds shall not confer on the Bondholder(s) the right to vote at any general meetings of the Company.

Listing: No application has been or will be made for the listing of the New Convertible Bonds on the Stock Exchange or any other stock exchange.

Transferability: Subject to the satisfaction of warranties stipulated in the instrument constituting the New Convertible Bonds (or, if capable of being remedied, has been remedied) and subject to the Company’s prior written consent, the New Convertible Bonds may be transferred to any person in whole multiples of HK\$1,000,000 (or such lesser amount as may represent the entire principal amount thereof). A transfer shall be effected by delivery of a certificate issued in the name of the Bondholder issued in respect of that New Convertible Bond, with an instrument of transfer duly completed and signed by both the transferor and the transferee. No transfer of title to any New Convertible Bond will be effective unless and until entered on the register of Bondholders.

Subject to the Listing Rules, the New Convertible Bonds may not be transferred to connected persons of the Company.

Events of default: If, among others, any of the following events occurs, the holders of the New Convertible Bonds may give notice to the Company that the New Convertible Bonds are immediately due and payable at their principal amount together with interest accrued:

- (1) **Payment default:** a default is made in the payment of interest due on the New Convertible Bonds when due and such default shall not have been cured by payment by the Company within 15 days after the due date; or
- (2) **Other default:** a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the instrument constituting the New Convertible Bonds or in the New Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal, premium (if any) and interest in respect of any of the New Convertible Bonds) and such default continues for the period of 14 days next following the service by any holder of the New Convertible Bonds on the Company of notice specifying brief details of such default and requiring such default to be remedied; or
- (3) **Breach of Subscription Agreement:** a material breach of any of the terms of the Subscription Agreement, including a breach of any warranty therein which is not discovered until after the issue and delivery of the New Convertible Bonds; or
- (4) **Dissolution of the Company and Disposals:** a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an ordinary resolution of holders of the New Convertible Bonds; or
- (5) **Encumbrances:** an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company; or
- (6) **Distress etc.:** a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the assets or undertaking or property of the Company and is not discharged within seven days thereof; or

- (7) **Trading suspension and delisting:** if the Shares are suspended by the Stock Exchange for a period of 90 consecutive trading days or listing of the Shares on the Stock Exchange are being revoked or withdrawn; or
- (8) **Insufficient share capital:** save and except where otherwise provided, if there is not a sufficient number of Shares available for the fulfilment of the obligations regarding the conversion of the New Convertible Bonds.

Undertakings by the Company:

The Company has covenanted to the Bondholder, among other things, that so long as any New Convertible Bonds remains outstanding:

- (i) it will notify the Bondholders in writing immediately upon becoming aware of the occurrence of any event of default;
- (ii) it will send to the Bondholders as soon as reasonably practicable and in any event within five (5) days after being so requested in writing by any Bondholders a certificate of the Company signed by any two of its directors on behalf of the Company setting out, based on the register of Bondholders maintained by or on behalf of the Company, the total number of New Convertible Bonds which, at the date of such certificate, were held by or on behalf of the Company or its subsidiaries and which had not been cancelled;
- (iii) it will comply with and perform and observe all the provisions of the instrument constituting the New Convertible Bonds which are expressed to be binding on it;
- (iv) upon the exercise of any conversion rights attached to the New Convertible Bonds pursuant to the conditions set out in the instrument constituting New Convertible Bonds, it will allot the number of Shares in respect of which conversion rights are exercised subject to and in accordance with such conditions;

- (v) it will ensure that all Shares allotted pursuant to an exercise of the conversion rights attached to the New Convertible Bonds shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant registration date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares after the relevant registration date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant registration date and notice of the amount and record date for which shall have been given to the Stock Exchange, and the Bondholders prior to the relevant registration date and, for this purpose, the notice to the Bondholders may take the form of sending a copy of the relevant announcement published on the Stock Exchange to them; and
- (vi) it will at all times use its reasonable endeavours to ensure that the minimum public shareholding requirement of the Listing Rules is complied with.

REASONS FOR THE REDEMPTION, THE SUBSCRIPTIONS AND USE OF PROCEEDS

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.

Reference is made to the announcements of the Company dated 25 April 2017, 10 July 2017 and 22 September 2017, and the circulars of the Company dated 13 June 2017 and 24 July 2017 in relation to the issuance of the Existing Convertible Bonds. As at the date of this announcement, the outstanding principal amount of the Existing Convertible Bonds is HK\$400,000,000 which are convertible into 1,333,333,334 conversion Shares upon full conversion at the initial conversion price of HK\$0.30 per conversion Share (subject to adjustment).

The Directors (not including the members of the Independent Board Committee who will express their view after having considered the recommendation from the Independent Financial Adviser) consider that the Redemption, the Subscriptions and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, based on the following factors:

(i) Enhancing the Company's financial position

The Convertible Bonds will be due in September 2019. According to the Company's interim report for the six months ended 30 September 2018, the Company recorded bank balances and cash of approximately HK\$2,610 million as at 30 September 2018. However, as at 30 September 2018, the amount of bank borrowings due within one year was approximately HK\$2,274 million. The existing cash level of cash net of bank borrowings due within one year will not be sufficient to repay the Existing Convertible Bonds on the due date. As textile industry is a working capital intensive industry, it is considered necessary for the Company to redeem the Existing Convertible Bonds before its maturity by way of issuing the New Convertible Bonds to maintain sufficient cash for its business operations.

(ii) Facilitating the Group's business expansion

Reference is made to the prospectus of the Company dated 26 March 2019, the management of the Company is in the process of identifying suitable venue in Cambodia or Bangladesh for the construction of dyed fabric production. The Redemption enables the Company to be better positioned to seize market opportunities as they arise and reserve more cash for working capital and business expansion.

The Directors (not including the members of the Independent Board Committee who will express their view after having considered the recommendation from the Independent Financial Adviser) consider that the Redemption, the Subscriptions and transactions contemplated thereunder are appropriate means of reserving sufficient cash for the Company and it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) upon conversion of the New Convertible Bonds up to not more than 30% of the enlarged issued share capital of the Company; and (iii) upon full conversion of the New Convertible Bonds (on the assumptions that the New Convertible Bonds are converted at the initial Conversion Price being HK\$0.106 per Conversion Share and there is no other change in the issued share capital of the Company from the date of this announcement up to the date of full conversion of the New Convertible Bonds) is as follows:

	As at the date of this announcement		Upon conversion of the New Convertible Bonds up to not more than 30% of the enlarged issued share capital of the Company		Upon full conversion of the New Convertible Bonds (Note 1)	
	No. of Shares	Approximate	No. of Shares	Approximate	No. of Shares	Approximate
		(Note 2)		(Note 2)		(Note 2)
Subscribers and parties acting in concert with either of them						
Pearl Garden (Note 3)	1,045,674,000	13.46	1,212,165,237	14.96	2,932,466,453	25.41
Madian Star (Note 4)	1,045,674,000	13.46	1,212,165,237	14.96	2,932,466,453	25.41
Mr. Chen (Note 5)	5,490,000	0.07	5,490,000	0.07	5,490,000	0.04
Sub-total	2,096,838,000	26.99	2,429,820,474	29.99	5,870,422,906	50.86
Directors						
Mr. Choi Lin Hung (Note 6)	21,000,000	0.27	21,000,000	0.26	21,000,000	0.18
Mr. Phaisalakani Vichai (Note 7)	3,000,000	0.04	3,000,000	0.04	3,000,000	0.03
Other public Shareholders	5,648,281,810	72.70	5,648,281,810	69.71	5,648,281,810	48.93
Total:	7,769,119,810	100.00	8,102,102,284	100.00	11,542,704,716	100.00

Notes:

1. This column is for illustration purpose only as the terms of the New Convertible Bonds provide that no conversion shall take place if the relevant holder of the New Convertible Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued share capital of the Company or otherwise trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.
2. 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.
3. 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, an executive Director.
4. 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.
5. Mr. Chen is an executive Director and a director of Pearl Garden.

6. Mr. Choi Lin Hung is an executive Director.
7. Mr. Phaisalakani Vichai is an independent non-executive Director.

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

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

Date of announcement/ prospectus	Event	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
19 February 2019, 13 March 2019, 26 March 2019 and 17 April 2019	Rights Issue	HK\$249.3 million	(i) Approximately HK\$100 million for construction of new electron beam waste treatment facilities; (ii) approximately HK\$70 million for construction of a new boiler; and (iii) approximately HK\$79.3 million as general working capital	(i) Approximately HK\$40 million had been used for construction of new electron beam waste treatment facilities; (ii) approximately HK\$70 million had been used for construction of a new boiler; and (iii) approximately HK\$79.3 million had been used as general working capital

MANDATE TO ISSUE THE CONVERSION SHARES

The Subscription Agreement and the transactions contemplated thereunder, including the issue and allotment of the Conversion Shares under the Specific Mandate of the Company, are subject to the approval of the Independent Shareholders at the SGM.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

IMPLICATIONS UNDER THE LISTING RULES

Pearl Garden (being one of the Subscribers) is a substantial shareholder of the Company, holding 1,045,674,000 Shares (representing approximately 13.46% of the total issued share capital of the Company) as at the date of this announcement. Accordingly, Pearl Garden is a connected person of the Company under Chapter 14A of the Listing Rules.

Madian Star (being one of the Subscribers) is a substantial shareholder of the Company, holding 1,045,674,000 Shares (representing approximately 13.46% of the total issued share capital of the Company) as at the date of this announcement. Accordingly, Madian Star is a connected person of the Company under Chapter 14A of the Listing Rules.

Therefore, the Subscriptions and the transactions contemplated thereunder constitute connected transactions for the Company and subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. Pearl Garden and Madian Star and their respective associates shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Subscriptions and the transactions contemplated thereunder (including the obtaining of the Specific Mandate).

Mr. Chen and Mr. Li, who are Directors with material interests in the Subscriptions, have abstained from voting on the board resolutions passed to approve the Subscriptions and transactions contemplated thereunder.

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in relation to the Subscriptions and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, (i) details of the Subscriptions, transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Subscriptions, transactions contemplated thereunder; and (iv) the notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 21 May 2019.

Warnings: The Subscriptions are subject to the fulfilment or waiver (as the case may be) of a number of conditions, including but not limited to approval of the Subscriptions by the Independent Shareholders at the SGM. As such, the Subscriptions 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.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“acting in concert”	has the meaning ascribed to it by the Takeovers Code and the expression
“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 New Convertible Bonds
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of the Directors
“Bondholder(s)”	a person whose name is registered in the register of Bondholders, and “holder” in relation to a New Convertible Bond has a corresponding meaning
“Business Day”	a day (other than a Saturday, Sunday or statutory holiday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which licensed banks in Hong Kong are generally open for ordinary banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“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 Subscriptions and shall take place on the Completion Date

“Completion Date”	the fifth Business Day following the date on which the conditions precedent set out in the Subscription Agreement are fulfilled (or such other date as the Company and the Subscribers may agree in writing)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Price”	the conversion price per Conversion Share at which Conversion Shares will be issued upon exercise of the conversion rights attaching to the New Convertible Bonds, being initially HK\$0.106 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the New Convertible Bonds
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the New Convertible Bonds pursuant to the terms and conditions of the New Convertible Bonds
“Director(s)”	director(s) of the Company
“Existing Convertible Bonds”	the HK\$400,000,000 five (5) per cent. Convertible bonds due 2019 issued by the Company to the Subscribers on 22 September 2017
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board established by the Board, comprising all the independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and as to voting at the SGM
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Subscriptions

“Independent Shareholders”	Shareholders, other than the Subscribers and their respective associates who are required to abstain from voting at the SGM pursuant to the Listing Rules
“Issue Date”	the date of first issue of the New Convertible Bonds
“Last Trading Day”	26 April 2019, being the last trading day for the Shares before the entering into of the Subscription Agreement
“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
“Longstop Date”	23 September 2019 or such other date as the Company and the Subscribers 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 Mr. Chen’s family members, being the subscriber under the Subscription Agreement
“Maturity Date”	the date falling two years (which can, by agreement between the Bondholders and the Company, be extended to five years) after the Issue Date or, if that is not a Business Day, the first Business Day thereafter
“Mr. Chen”	Mr. Chen Tien Tui, an executive Director
“Mr. Li”	Mr. Li Ming Hung, an executive Director
“New Convertible Bonds”	the HK\$400,000,000 five (5) per cent. Convertible bonds due 2021 (extendable to 2024 by agreement) to be issued by the Company to the Subscribers
“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 Mr. Li’s family members, being the subscriber under the Subscription Agreement

“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of PRC and Taiwan
“Public Float Requirement”	the requirement under the Listing Rules applicable to the Company that not less than specified percentage of the Shares which are listed on the Stock Exchange shall be held by the public for the purpose of the Listing Rules
“Redemption”	the early redemption the whole of the outstanding principal amount of the Existing Convertible Bonds by way of issuance of the New Convertible Bonds to the Subscribers
“Redemption Notice”	the redemption notice dated 26 April 2019 served by the Company to the Subscribers in relation to the Redemption
“Rights Issue”	the rights issue of the Company completed on 18 April 2019
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including (among other matters) the allotment and issue of New Convertible Bonds and the Conversion Shares falling to be issued upon conversion of the New Convertible Bonds (or any adjournment thereof)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specific Mandate”	the specific mandate to be granted to the Directors by the Independent Shareholders at the SGM to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Pearl Garden and Madian Star, being the subscribers under the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 26 April 2019 and entered into among the Company and the Subscribers in relation to the Subscriptions
“Subscriptions”	the subscriptions of the New Convertible Bonds pursuant to the terms of the Subscription Agreement

“substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 26 April 2019

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

* *for identification purposes only*