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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)

DISCLOSEABLE TRANSACTIONS IN RELATION TO DISPOSAL OF PROPERTIES

THE PROVISIONAL AGREEMENTS

The Board wishes to announce that:

- (i) on 14 May 2020 (after trading hours), the Vendor, a non-wholly owned subsidiary of the Company, entered into the Provisional Agreement A with Purchaser A, pursuant to which Purchaser A has conditionally agreed to acquire and the Vendor has conditionally agreed to sell Property A, being an office premises in Hong Kong, at a consideration of HK\$12,600,000;
- (ii) on 26 November 2020 (after trading hours), the Vendor, a non-wholly owned subsidiary of the Company, entered into the Provisional Agreement B with Purchaser B, pursuant to which Purchaser B has conditionally agreed to acquire and the Vendor has conditionally agreed to sell Property B, being an office premises in Hong Kong, at a consideration of HK\$10,238,000; and
- (iii) on 22 December 2020 (after trading hours), the Vendor, a non-wholly owned subsidiary of the Company, entered into the Provisional Agreement C with Purchaser C, pursuant to which Purchaser C has conditionally agreed to acquire and the Vendor has conditionally agreed to sell Property C, being an office premises in Hong Kong, at a consideration of HK\$9,800,000.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to each of the Property A Disposal, the Property B Disposal and the Property C Disposal are more than 5% but are less than 25%, each of the Property A Disposal, the Property B Disposal and the Property C Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Non-compliance with the Listing Rules relating to discloseable transactions

The Directors noted that the Company has breached the Listing Rules requirements for reporting and announcement requirements under Chapter 14 of the Listing Rules, as the transactions mentioned above constituted notifiable transactions, due to inadvertent overlook. The Directors reiterated that they have no intention for such non-compliance and the non-compliance was solely due to the reasons as stated above. Furthermore, despite the Disposals were not in the ordinary course of business of the Group, the Disposals were conducted on normal commercial terms, and the terms of the Provisional Agreements were fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Company has taken the following actions to remedy the breach, through the publication of this announcement, setting out, among others, the principal terms of the Provisional Agreements, the reasons for and benefits of the Disposals, the Listing Rules implications. With regards to preventive measures for any potential breaches in the future, the Board will further tighten up the reporting and monitoring procedures and provide trainings to staff to strengthen the staff's ability in identifying any possible transactions which may constitute notifiable transactions and/or other transactions required to be disclosed under the Listing Rules.

The Board wishes to announce that:

- (i) on 14 May 2020 (after trading hours), the Vendor, a non-wholly owned subsidiary of the Company, entered into the Provisional Agreement A with Purchaser A, pursuant to which Purchaser A has conditionally agreed to acquire and the Vendor has conditionally agreed to sell Property A, being an office premises in Hong Kong, at a consideration of HK\$12,600,000;
- (ii) on 26 November 2020 (after trading hours), the Vendor, a non-wholly owned subsidiary of the Company, entered into the Provisional Agreement B with Purchaser B, pursuant to which Purchaser B has conditionally agreed to acquire and the Vendor has conditionally agreed to sell Property B, being an office premises in Hong Kong, at a consideration of HK\$10,238,000; and

(iii) on 22 December 2020 (after trading hours), the Vendor, a non-wholly owned subsidiary of the Company, entered into the Provisional Agreement C with Purchaser C pursuant to which Purchaser C has conditionally agreed to acquire and the Vendor has conditionally agreed to sell Property C, being an office premises in Hong Kong, at a consideration of HK\$9,800,000.

Details of each of the Provisional Agreement A, the Provisional Agreement B and the Provisional Agreement C are set out below:

THE PROVISIONAL AGREEMENT A

Date

14 May 2020 (after trading hours)

Parties

- (i) Vendor: Ford Glory International Limited (as vendor)
- (ii) Purchaser: Everbest Union Investment Limited (as purchaser)

Subject matter

Pursuant to the Provisional Agreement A, Purchaser A has conditionally agreed to acquire and the Vendor has conditionally agreed to sell Property A.

As at the date of the Provisional Agreement A, Property A was vacant.

As at 31 March 2020, the carrying value of Property A amounted to approximately HK\$2,205,000.

Consideration

Property A Consideration is HK\$12,600,000, which shall be paid by Purchaser A by way of cash in the following manner:

1. HK\$630,000 has been paid as initial deposit upon signing of the Provisional Agreement A;
2. HK\$630,000 has been paid as further deposit upon signing of the Formal Agreement A; and
3. the remaining balance of HK\$11,340,000 has been paid on the Property A Completion Date.

Property A Consideration was arrived at after arm's length negotiations between the Vendor and Purchaser A on normal commercial terms after taking into account of market price of commercial properties in the same district.

Stamp duty

All ad valorem stamp duty shall be borne by Purchaser A.

Formal agreement

Pursuant to the Provisional Agreement A, the Formal Agreement A was signed on 29 May 2020.

Completion

The Property A Disposal has been completed on 14 August 2020. Upon completion of the Property A Disposal, Property A ceased to be held by the Group.

THE PROVISIONAL AGREEMENT B

Date

26 November 2020 (after trading hours)

Parties

- (i) Vendor: Ford Glory International Limited (as vendor)
- (ii) Purchaser: Treasure Delta Holdings Limited (as purchaser)

Subject matter

Pursuant to the Provisional Agreement B, Purchaser B has conditionally agreed to acquire and the Vendor has conditionally agreed to sell Property B.

As at the date of the Provisional Agreement B, Property B was vacant.

As at 30 September 2020, the carrying value of Property B amounted to approximately HK\$4,311,024.

Consideration

Property B Consideration is HK\$10,238,000, which shall be paid by Purchaser B by way of cash in the following manner:

1. HK\$500,000 has been paid as initial deposit upon signing of the Provisional Agreement B;

2. HK\$523,800 has been paid as further deposit upon signing of the Formal Agreement B; and
3. the remaining balance of HK\$9,214,200 shall be paid on the Property B Completion Date.

Property B Consideration was arrived at after arm's length negotiations between the Vendor and Purchaser B on normal commercial terms after taking into account of market price of commercial properties in the same district.

Stamp duty

All ad valorem stamp duty shall be borne by Purchaser B.

Formal agreement

Pursuant to the Provisional Agreement B, the Formal Agreement B has been signed on 11 December 2020.

Completion

Property B will be sold on an "as is" basis free from encumbrances and vacant possession of Property B shall be delivered to Purchaser B on completion of the Property B Disposal, which shall take place on or before 15 January 2021. Upon completion of the Property B Disposal, Property B will cease to be held by the Group.

THE PROVISIONAL AGREEMENT C

Date

22 December 2020 (after trading hours)

Parties

- (i) Vendor: Ford Glory International Limited (as vendor)
- (ii) Purchaser: Glory Charm International Limited (as purchaser)

Subject matter

Pursuant to the Provisional Agreement C, Purchaser C has conditionally agreed to acquire and the Vendor has conditionally agreed to sell Property C.

As at the date of the Provisional Agreement C, Property C was vacant.

As at 30 September 2020, the carrying value of Property C amounted to approximately HK\$4,155,952.

Consideration

Property C Consideration is HK\$9,800,000, which shall be paid by Purchaser C by way of cash in the following manner:

1. HK\$490,000 has been paid as initial deposit upon signing of the Provisional Agreement C;
2. HK\$490,000 has been paid as further deposit upon signing of the Formal Agreement C; and
3. the remaining balance of HK\$8,820,000 shall be paid on the Property C Completion Date.

Property C Consideration was arrived at after arm's length negotiations between the Vendor and Purchaser C on normal commercial terms after taking into account of market price of commercial properties in the same district.

Stamp duty

All ad valorem stamp duty shall be borne by Purchaser C.

Formal agreement

Pursuant to the Provisional Agreement C, the Formal Agreement C has been signed on 5 January 2021.

Completion

Property C will be sold on an "as is" basis and vacant possession of Property C shall be delivered to Purchaser C on completion of the Property C Disposal, which shall take place on or before 5 February 2021. Upon completion of the Property C Disposal, Property C will cease to be held by the Group.

INFORMATION ABOUT THE GROUP AND THE VENDOR

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. The Vendor is principally engaged in trading of garment products.

INFORMATION ABOUT THE PURCHASERS

Purchaser A is a limited liability company incorporated in Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Purchaser A is principally engaged in investment holding business. So far as the Company is aware, as at the date of the Provisional Agreement A, Purchaser A is owned by Mok Elaine Yee Ling, Mok Lam On Lok Milly and Mok Stanley Siu Kwong as to 40%, 30% and 30% respectively.

Purchaser B is a limited liability company incorporated in Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Purchaser B is principally engaged in investment holding business. So far as the Company is aware, as at the date of the Provisional Agreement B, Purchaser B is owned by Lee Kwan Yee, Chan Sum, Chan Yuen Ling, Cora and Chan Chi Choi as to 20%, 20%, 40% and 20% respectively.

Purchaser C is a limited liability company incorporated in Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Purchaser C is principally engaged in investment holding business. So far as the Company is aware, as at the date of the Provisional Agreement C, Purchaser C is owned by Mo Kwok Leung and Dai Yuk Keung as to 50% and 50% respectively.

As at the date of each of the Provisional Agreements, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Purchaser A, Purchaser B and Purchaser C and their respective ultimate beneficial owner(s) is an Independent Third Party. Save for the Disposals, each of Purchaser A, Purchaser B and Purchaser C and their respective ultimate beneficial owner(s) has no past or present relationship with the Group and its connected persons.

INFORMATION ON THE PROPERTIES

The Vendor, a non-wholly owned subsidiary of the Company, was/is the owner of each of Property A, Property B and Property C, details of which are set out below:

	Address	Usage	Attributable interests to the Group immediately before completion of the Disposals
Property A	Workshop D, 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	Office/commercial	51%
Property B	Workshop B, 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	Office/commercial	51%
Property C	Workshop C, 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	Office/commercial	51%

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSALS

Upon completion of the Property A Disposal, Property A ceased to be held by the Group. Based on the interim results of the Group for the six months ended 30 September 2020, the Group recorded a gain from the Property A Disposal of approximately HK\$10,295,800, being the difference between Property A Consideration and the carrying value of Property A as of 31 July 2020 and all relevant fees and expenses.

Upon completion of each of the Property B Disposal and the Property C Disposal, each of Property B and Property C will cease to be held by the Group. It is estimated that the Group will realise a gain from the Property B Disposal of approximately HK\$5,926,976 (subject to audit), being the difference between Property B Consideration and the carrying value of Property B as of 30 September 2020. It is further estimated that the

Group will realise a gain from the Property C Disposal of approximately HK\$5,644,048, being the difference between Property C Consideration and the carrying value of Property C as of 30 September 2020.

REASONS FOR AND BENEFITS OF THE DISPOSALS AND USE OF PROCEEDS

The on-going COVID-19 pandemic has caused uncertainty to the global economy and affected the Vendor's operations. In view of the economy caused by the outbreak of COVID-19, the Vendor has been taking proactive steps to enhance its cash flow.

As such, having considered the then market value of the Properties (with reference to the market value of similar properties within the same district), alongside with the then property market conditions in Hong Kong, the Board considers that each of the Property A Disposal, the Property B Disposal and the Property C Disposal, if materialises, represents a good opportunity for the Vendor to enhance the cash flow of the Vendor to consolidate its financial position within a short period of time.

The net proceeds from the Property A Disposal (after deducting all relevant fees and expenses) of approximately HK\$12,456,760 has been utilised for the repayment of a mortgage loan of the Vendor to the bank.

It is expected that the net proceeds from each of the Property B Disposal and the Property C Disposal (after deducting all relevant fees and expenses) of approximately HK\$10.1 million and HK\$9.7 million respectively will be reserved for the repayment of bank borrowings of the Vendor as well as general working capital of the Vendor.

The entering into of each of the Provisional Agreement A, the Provisional Agreement B and the Provisional Agreement C was not in the ordinary course of business of the Group. The terms of each of the Provisional Agreement A, the Provisional Agreement B and the Provisional Agreement C were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of each of the Provisional Agreement A, the Provisional Agreement B and the Provisional Agreement C are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to each of the Property A Disposal, the Property B Disposal and the Property C Disposal are more than 5% but are less than 25%, each of the Property A Disposal, the Property B Disposal and the Property C Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Non-compliance with the Listing Rules relating to discloseable transactions

The Directors noted that the Company has breached the Listing Rules requirements for reporting and announcement requirements under Chapter 14 of the Listing Rules, as one or more of the transactions mentioned above constituted notifiable transactions, due to inadvertent overlook. The Directors reiterated that they have no intention for such non-compliance and the non-compliance was solely due to the reasons as stated above. Furthermore, despite the Disposals were not in the ordinary course of business of the Group, the Disposals were conducted on normal commercial terms, and the terms of the Provisional Agreements were fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Company has taken the following actions to remedy the breach, through the publication of this announcement, setting out, among others, the principal terms of the Provisional Agreements, the reasons for and benefits of the Disposals, the Listing Rules implications. With regards to preventive measures for any potential breaches in the future, the Board will further tighten up the reporting and monitoring procedures and provide trainings to staff to strengthen the staff's ability in identifying any possible transactions which may constitute notifiable transactions and/or other transactions required to be disclosed under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposals”	collectively, the Property A Disposal, the Property B Disposal and the Property C Disposal
“Formal Agreement A”	the formal agreement for the Property A Disposal, which was signed on 29 May 2020 pursuant to the Provisional Agreement A
“Formal Agreement B”	the formal agreement for the Property B Disposal, which was signed on 11 December 2020 pursuant to the Provisional Agreement B

“Formal Agreement C”	the formal agreement for the Property C Disposal, which was signed on 5 January 2021 pursuant to the Provisional Agreement C
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who is(are) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Choi”	Mr. Choi Lin Hung, who has resigned from his position as an executive Director on 9 November 2020
“Properties”	collectively, Property A, Property B and Property C
“Property A”	an office premises with useable floor area of approximately 89.93 square metres held by the Vendor as at the date of the Provisional Agreement A and located at Workshop D, 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong
“Property A Completion Date”	date of completion of the Property A Disposal, being 14 August 2020
“Property A Consideration”	the consideration of the Property A Disposal, being HK\$12,600,000
“Property A Disposal”	the disposal of Property A by the Vendor to Purchaser A pursuant to the Provisional Agreement A
“Property B”	an office premises with useable floor area of approximately 92.66 square metres held by the Vendor as at the date of the Provisional Agreement B and located at Workshop B, 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong
“Property B Completion Date”	date of completion of the Property B Disposal, being on or before 15 January 2021
“Property B Consideration”	the consideration of the Property B Disposal, being HK\$10,238,000

“Property B Disposal”	the disposal of Property B by the Vendor to Purchaser B pursuant to the Provisional Agreement B
“Property C”	an office premises with useable floor area of approximately 91.93 square metres held by the Vendor as at the date of the Provisional Agreement C and located at Workshop C, 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong
“Property C Completion Date”	date of completion of the Property C Disposal, being on or before 5 February 2021
“Property C Consideration”	the consideration of the Property C Disposal, being HK\$9,800,000
“Property C Disposal”	the disposal of Property C by the Vendor to Purchaser C pursuant to the Provisional Agreement C
“Provisional Agreement A”	the provisional agreement dated 14 May 2020 and entered into between Purchaser A and the Vendor in relation to the Property A Disposal
“Provisional Agreement B”	the provisional agreement dated 26 November 2020 and entered into between Purchaser B and the Vendor in relation to the Property B Disposal
“Provisional Agreement C”	the provisional agreement dated 22 December 2020 and entered into between Purchaser C and the Vendor in relation to the Property C Disposal
“Provisional Agreements”	collectively, the Provisional Agreement A, Provisional Agreement B and the Provisional Agreement C
“Purchaser A”	Everbest Union Investment Limited (永好投資管理有限公司), a limited liability company incorporated in Hong Kong, which is owned by Mok Elaine Yee Ling, Mok Lam On Lok Milly and Mok Stanley Siu Kwong as to 40%, 30% and 30% respectively as at the date of the Provisional Agreement A, each being an Independent Third Party
“Purchaser B”	Treasure Delta Holdings Limited (采昇控股有限公司), a limited liability company incorporated in Hong Kong, which is owned by Lee Kwan Yee, Chan Sum, Chan Yuen Ling, Cora and Chan Chi Choi as to 20%, 20%, 40% and 20% respectively as at the date of the Provisional Agreement B, each being an Independent Third Party

“Purchaser C”	Glory Charm International Limited (盈創國際有限公司), a limited liability company incorporated in Hong Kong, which is owned by Mo Kwok Leung and Dai Yuk Keung as to 50% and 50% respectively as at the date of the Provisional Agreement C, each being an Independent Third Party
“Share(s)”	ordinary share(s) in the share capital of the Company of HK\$0.1 each
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Ford Glory International Limited (福源國際有限公司), a limited liability company incorporated in Hong Kong and a non-wholly owned subsidiary of the Company, indirectly owned as to 51% by the Company and 49% by Mr. Choi as at the date of this announcement
“%”	per cent

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

Hong Kong, 14 January 2021

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

** for identification purposes only*