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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)

PLACING OF UNLISTED WARRANTS UNDER GENERAL MANDATE AND RESUMPTION OF TRADING

The Board announces that the Company entered into the Placing Agreement with the Placing Agent on 23 January 2013 pursuant to which the Company appointed the Placing Agent to procure for Placees to subscribe for up to 50,000,000 Warrants, on a best effort basis, at the Issue Price.

The Warrants conferring rights to subscribe for new Shares at the Subscription Price of HK\$0.89 per Share for a period of 12 months commencing from the date of issue of the Warrants subject to adjustments. Each Warrant carries the right to subscribe for one new Share.

Placing Completion is subject to the fulfillment of the conditions in relation thereto stated in the paragraph headed “Conditions of the Placing” below. The new Shares falling to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants will be issued under the General Mandate.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or other stock exchange.

Resumption of trading

At the request of the Company, trading in the Shares was halted with effect from 9:00 a.m. on 23 January 2013 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 24 January 2013.

THE PLACING AGREEMENT DATED 23 JANUARY 2013

Parties

- (1) Issuer: the Company
- (2) Placing Agent: UOB Kay Hian (Hong Kong) Limited

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner are independent of and not connected with any of the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates and are not connected persons of the Company.

Information on the Warrants

A total number of 50,000,000 Warrants is proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 50,000,000 Shares, representing (i) approximately 3.15% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 3.05% of the issued share capital as enlarged by the issue and allotment of the Shares upon the full exercise of the subscription rights attaching to the Warrants.

The Warrants will be issued to the Placees upon the Placing Completion in registered form and constituted by the Instrument. The Warrants will rank *pari passu* in all respects among themselves.

Each Warrant carries the right to subscribe for one Share at the Subscription Price subject to adjustments, and is issued at the Issue Price.

The subscription rights attaching to the Warrants can be exercised at any time during a period of 12 months commencing from the date of the issue of the Warrants.

The new Shares, when fully paid and allotted, will rank *pari passu* in all respects with the then Shares in issue on the date of allotment and issue of the relevant new Shares.

Save for the share options granted under the share option scheme of the Company adopted in accordance with Chapter 17 of the Listing Rules, as at the date of this announcement, the Company does not have any options, warrants or similar rights to subscribe or purchase its equity securities in issue.

The Placees

The Placing Agent will procure Placees to subscribe for up to 50,000,000 Warrants on a best effort basis. The Placees shall be independent institutional or private investors and each of them or their respective ultimate beneficial owners will be an Independent Third Party prior to and immediately after Placing Completion. Immediately upon the exercise of the subscription rights attaching to the Warrants, it is expected that none of the Placees will become a substantial Shareholder.

The Placing Agent has confirmed to the Company that it has identified the following three Placees, and each of them and their respective ultimate beneficial owners are independent of the Company and its connected persons (as defined in the Listing Rules):

1. Pacific Alliance Asia Opportunity Fund LP, a Cayman Islands exempted limited partnership;
2. Asian Equity Special Opportunities Portfolio Master Fund Limited, an open-end investment company incorporated in the Cayman Islands with limited liability; and
3. Rich Wealth Investments Limited, a company incorporated in the British Virgin Islands.

Issue Price and Subscription Price

The Issue Price is HK\$0.01 per Warrant payable in cash. The aggregate amount receivable from the Issue Price will be HK\$500,000.

The Subscription Price is HK\$0.89 per Share, subject to adjustment based on the prescribed formulas as set out in the Instrument creating the Warrants for the happening of the following normal adjustment events:

- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders in their capacity as such;
- (iv) a grant by the Company to the Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (v) an offer or grant being made by the Company to the Shareholders by way of rights or of options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price of the Shares on the date of the announcement of the terms of the offer or grant being made by the Company to the Shareholders;

- (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share is less than 80% of the market price of the Shares on the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the Shareholders), or the terms of any such issue being altered so that the said total effective consideration is less than 80% of such market price;
- (vii) an issue being made by the Company wholly for cash of Shares (other than pursuant to a share incentive scheme) at a price less than 80% of the market price of the Shares on the date of the announcement of the issue (whether or not such issue is subject to the approval of the Shareholders); and
- (viii) a cancellation of any Shares repurchased by the Company (other than on the Stock Exchange or any stock exchange recognised for such purpose) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

Every adjustment to the Subscription Price shall be certified by the auditors of the Company or an approved merchant bank. Save as disclosed above, there are no other events which may result in mandatory adjustment to the Subscription Price. As at the date of this announcement, the maximum number of Shares that may fall to be allotted and issued upon the exercise of the Warrants will not exceed 50,000,000 Shares.

The Subscription Price equals to HK\$0.89 per Share as quoted on the Stock Exchange on the Last Trading Day; (i) represents a premium of approximately 4.22% over the average closing price per Share of HK\$0.854 as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day; and (ii) represents a premium of approximately 5.20% over the average closing price per Share of HK\$0.846 as quoted on the Stock Exchange for the ten consecutive trading days prior to the Last Trading Day.

The aggregate of the Issue Price and the Subscription Price represents (i) a premium of approximately 1.12% over the closing price of HK\$0.89 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 5.39% over the average closing price per Share of HK\$0.854 as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day; and (iii) a premium of approximately 6.38% over the average closing price per Share of HK\$0.846 as quoted on the Stock Exchange for the ten consecutive trading days prior to the Last Trading Day.

The Board considers that the Subscription Price with the Issue Price, taking into account the recent trading prices of the Shares and an exercise period of 12 months, are fair and reasonable, which are determined after arm's length negotiations between the Company and the Placing Agent, and are in the interests of the Company and the Shareholders as a whole.

Transferability

The Warrants are transferable in integral multiples of 10,000 Warrants subject to the consent of the Company whose consent shall not be unreasonably refused or withheld. Any transfer of the Warrants to any connected person (as defined in the Listing Rules) of the Company shall be subject to the requirements that the Stock Exchange may impose from time to time.

Conditions of the Placing

Placing Completion shall be subject to and conditional upon the following:

- (a) (if required) the Listing Committee of the Stock Exchange granting approval of the issue of the Warrants; and
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, all the Shares falling to be issued on the exercise of the subscription rights to be attached to the Warrants either unconditionally or subject to conditions to which the Placing Agent accept and the satisfaction of such conditions (if any).

If the above conditions are not fulfilled on or before 5:00 p.m. on 22 February 2013 (or such later time or date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall terminate and neither party shall have any claim against the other in respect of any matter or thing arising out of or in connection with the Placing Agreement save for any antecedent breach of any obligation under the Placing Agreement.

Placing Completion

Placing Completion will take place on the third Business Day immediately after fulfillment of the conditions referred to in the paragraph headed “Conditions of the Placing” above.

Rights for the holders of the Warrants

The holders of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distribution and/or offers of further securities made by the Company.

If an effective resolution is passed during the subscription period for the voluntary winding up of the Company and if such winding up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the holders of the Warrants, or some person designated by them for such purpose, will be a party or in conjunction with which a proposal is made to such holders and is approved by special resolution passed by the holders of the Warrants, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the holders of the Warrants.

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company during the subscription period, the Company shall give notice thereof to each holder of the Warrants and, thereupon every such holder shall be entitled to, by irrevocable surrender of his Warrant certificate(s) to the Company, together with payment of the exercise moneys, exercise the subscription rights represented by such Warrant certificate to the extent specified by such holder of the Warrants and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting allot such number of Shares to such holder of the Warrants.

Mandate to issue Shares

The General Mandate was granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting on 28 August 2012 to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on that date.

The Shares to be allotted and issued upon the exercise in full of the subscription rights attaching to the Warrants will be allotted and issued under the General Mandate and hence such issue of Shares is not subject to the Shareholders' approval. The maximum of 50,000,000 Shares to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants utilises approximately 16.16% of the General Mandate. No part of the General Mandate has been utilised prior to the entering into of the Placing Agreement.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchange.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the production of and sale of knitted fabric and dyed yarn and garment products.

The Board considers that the Placing would be a good opportunity to raise further capital for the Company in that it will not have an immediate dilution effect on the shareholding of the existing Shareholders and gross proceeds of HK\$500,000 will be raised immediately upon Placing Completion. If and when the subscription rights attaching to the Warrants are exercised in full, further funds of approximately HK\$44,500,000 will be raised (with a net Subscription Price of approximately HK\$0.88 per Share).

The proceeds arising from the Placing are intended to be used to invest in some other suitable investment opportunities to be identified by the Company. No specific investment project has been identified as at the date of this announcement.

As at the date of the announcement, the Shares to be issued upon the exercise of all Warrants, when aggregated with all other equity securities, which remained to be issued on exercise of all other subscription right, will not exceed 20% of the issued share capital of the Company.

EFFECTS ON SHAREHOLDING

The effects of the Subscription and the exercise of the subscription rights attaching to the Warrants in full on the shareholding of the Company are as follows:

| | As at the date of this announcement and before Placing Completion | | Immediately after the exercise of the subscription rights attaching to the Warrants in full | |
|---|---|----------------------|---|----------------------|
| Directors and parties acting in concert with Directors | <i>No. of Shares</i> | <i>Approximate %</i> | <i>No. of Shares</i> | <i>Approximate %</i> |
| Pearl Garden Pacific Limited (<i>Note i</i>) | 363,958,000 | 22.93 | 363,958,000 | 22.23 |
| Madian Star Limited (<i>Note ii</i>) | 363,958,000 | 22.93 | 363,958,000 | 22.23 |
| Chen Tien Tui | 1,916,000 | 0.12 | 1,916,000 | 0.11 |
| Choi Lin Hung (<i>Note iii</i>) | 7,980,000 | 0.50 | 7,980,000 | 0.49 |
| Phaisalakani Vichai (<i>Note iv</i>) | 500,000 | 0.03 | 500,000 | 0.03 |
| Public Shareholders | | | | |
| Placees | — | — | 50,000,000 | 3.05 |
| Templeton Asset Management Ltd. | 247,559,314 | 15.59 | 247,559,314 | 15.12 |
| Other public Shareholders | 601,725,682 | 37.90 | 601,725,682 | 36.74 |
| Total | 1,587,596,996 | 100.00 | 1,637,596,996 | 100.00 |

Notes:

- (i) These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited 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.
- (ii) These Shares were held by Madian Star Limited. Madian Star Limited 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 Tien Tui, an executive Director.
- (iii) Mr. Choi Lin Hung is an executive Director.
- (iv) Mr. Phaisalakani Vichai is an independent non-executive Director.

FUND RAISING ACTIVITY BY THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted any other fund raising activities in the past 12 months before the date of this announcement.

The Board (including the independent non-executive Directors) considers that the terms of the Placing Agreement, which are entered into after arm's length negotiation, are on normal commercial terms and that such terms are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was halted with effect from 9:00 a.m. on 23 January 2013 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 24 January 2013.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

| | |
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| “Board” | the board of Directors |
| “Business Day” | any day (not being a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business |
| “Company” | Victory City International Holdings Limited (Stock code: 539), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange |
| “Directors” | the directors of the Company |

| | |
|----------------------------------|---|
| “General Mandate” | the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 August 2012, pursuant to which a maximum of 309,471,333 new Shares may fall to be allotted and issued at the date of this announcement |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party” | a party who is independent of the Company and its connected persons (as defined under the Listing Rules) |
| “Instrument” | the deed poll constituting the Warrants to be executed by the Company on the Placing Completion |
| “Issue Price” | HK\$0.01 per Warrant to be issued pursuant to the Placing |
| “Last Trading Day” | 22 January 2013, being the last full trading day prior to the date of this announcement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Placee(s)” | any person or entity whom the Placing Agent have procured to subscribe for the Warrants |
| “Placing” | the placing of the Warrants to selected independent institutional and/or private investors pursuant to the Placing Agreement |
| “Placing Agent” | UOB Kay Hian (Hong Kong) Limited |
| “Placing Agreement” | the conditional placing agreement dated 23 January 2013 and entered into between the Company and the Placing Agent in relation to the Placing |
| “Placing Completion” | the completion of the Placing in accordance with the terms and conditions of the Placing Agreement |

| | |
|-----------------------------|---|
| “Shares” | ordinary shares of HK\$0.01 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | the subscription price of HK\$0.89 per Share (subject to adjustment) at which holder of the Warrant may subscribe for the Shares during the period from the first date of issue of the Warrants to the expiry of the 12 months from such date |
| “Warrants” | a total number of 50,000,000 unlisted warrants to be issued by the Company at the Issue Price, each of which entitles the holder thereof to subscribe for one Share at the Subscription Price, whichever is applicable, at any time during a period of 12 months commencing from the date of issue of the Warrants, subject to the terms and conditions set out in the Instrument |
| “%” | per cent |

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

Hong Kong, 23 January 2013

As at the date of this announcement, the Board comprises Mr. Li Ming Hung, Mr. Chen Tien Tui, Mr. Lee Yuen Chiu, Andy and Mr. Choi Lin Hung as executive Directors and Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi as independent non-executive Directors.

* *For identification purposes only*