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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)**

**PROPOSED CONNECTED TRANSACTION  
IN RELATION TO PROVISION OF GUARANTEE**

Reference is made to the announcement and circular of the Company dated 7 May 2014 and 18 June 2014 respectively regarding, among other matters, the provision of guarantees by the Company to secure certain banking facilities of FG International.

The Company proposes to provide the Guarantee limited to HK\$350,000,000 in favour of HSBC to secure the Facilities to be granted by HSBC to FG International.

As the financial assistance to be provided by the Company in the form of the Guarantee to FG International will exceed the proportional equity interest of the Group in FG International, the provision of the Guarantee will constitute a non-exempt connected transaction of the Company and be subject to the announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other matters, (i) further details of the Facilities and the Guarantee; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Connected Transaction; and (iv) a notice convening the SGM is expected to be despatched to the Shareholders on or before 6 February 2015.

Reference is made to the announcement and circular of the Company dated 7 May 2014 and 18 June 2014 respectively regarding, among other matters, the provision of guarantees by the Company to secure certain banking facilities of FG International.

## **THE GUARANTEE**

At the special general meeting of the Company held on 10 July 2014, it was resolved, among other matters, that the Company be approved to provide the Previous Guarantee for an aggregate of HK\$120,000,000 in favour of HSBC to secure the facilities with a combined limit of up to approximately HK\$93,000,000 offered by HSBC to FG International on 7 April 2014. The Company provided the Previous Guarantee in favour of HSBC on 18 July 2014.

On 31 December 2014 and 17 December 2014, HSBC confirmed their agreement to make available to FG International the Facilities comprising (i) facilities with a combined limit of up to approximately HK\$133,000,000, whereby the types of facility include a revolving loan, Renminbi investment loan, trust receipt, import trade loan, export trade loan and advance against purchase order; and (ii) debts purchase service with a funds in use limit of US\$15,000,000 (equivalent to approximately HK\$117,000,000), whereby the types of service include credit management and prepayments, respectively, with an aggregate limit of up to approximately HK\$250,000,000 and replacing the previous facilities granted on 7 April 2014.

It is proposed that the Company would provide the Guarantee limited to HK\$350,000,000 in favour of HSBC to secure the Facilities and replace the Previous Guarantee.

FG International will not provide the Company with any guarantee fee or security in respect of the Guarantee. Other than the Guarantee, no guarantee or security will be provided in favour of HSBC in respect of the Facilities.

Merlotte Enterprise will provide the Counter Indemnity in favour of the Company in respect of the Guarantee on a pro rata basis.

## **INTENDED USE OF THE FACILITIES GRANTED TO FG INTERNATIONAL**

The principal business of FG International is the manufacturing, sale and trading of garment products and accessories.

The Facilities include term loans, normal trade lines (such as trust receipts and credit management) and debts purchase services for the existing business activities of FG International and will be used to finance the general operation of FG International. The combined limit of the Facilities has been arrived at having regard principally to the requirement of banking facilities by FG International for its general operation in the foreseeable future.

## **INFORMATION ON THE COMPANY AND THE GROUP**

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

## **REASONS FOR PROVISION OF THE GUARANTEE**

As at the date of this announcement, FG International is wholly owned by FG Holdings, which is in turn indirectly owned as to 51% by the Company and 49% by Merlotte Enterprise. The Directors consider that the Company will benefit from the provision of the Guarantee in terms of the facilitation of the growth of the business of FG International to be afforded by the Facilities.

Given that FG International is principally engaged in the business of manufacturing, sale and trading of garment products and accessories of the Group and taking into account the intended use of the facilities as mentioned above, the Board considers (except the Independent Board Committee whose view will be formed after obtaining the advice of the Independent Financial Adviser) that the exposure of the Group to the liabilities under the Guarantee is commercially justifiable and therefore in the interests of the Company and the Shareholders as a whole.

In view that Merlotte Enterprise will give the Counter Indemnity in respect of the Guarantee on a pro rata basis, the Board (except the Independent Board Committee whose view will be formed after obtaining the advice of the Independent Financial Adviser) is of the view that the terms and conditions of the Guarantee are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

In view of Mr. Choi's equity interest in Merlotte Enterprise, Mr. Choi is deemed to have a material interest in the Proposed Connected Transaction and abstained from voting at the Board meeting approving the Proposed Connected Transaction. Apart from Mr. Choi, no other Directors are required to abstain from voting at the Board meeting approving the Proposed Connected Transaction.

## **IMPLICATIONS UNDER THE LISTING RULES**

The transaction contemplated under the provision of the Guarantee will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. FG International is wholly owned by FG Holdings which is indirectly owned as to 51% by the Company and 49% by Merlotte Enterprise, a company wholly owned by Mr. Choi who is one of the Directors.

Given that the financial assistance to be provided by the Company in the form of the Guarantee to FG International will exceed the proportional equity interest of the Company in FG International, the provision of the Guarantee will constitute a non-exempt connected transaction of the Company and be subject to the announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As at the date of this Announcement, the Guarantee has not been provided. It is intended that the Guarantee will be executed shortly after the approval of the Independent Shareholders is obtained at the SGM. The proposed provision of the Guarantee, when executed after the Independent Shareholders' approval has been obtained, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Counter Indemnity to be provided by Merlotte Enterprise, a company wholly owned by Mr. Choi, who is one of the Directors, in favour of the Company in respect of the Guarantee will be conducted on normal commercial terms or better and will not be secured by the assets of the Group, the transaction contemplated thereunder will constitute a connected transaction fully exempt from Independent Shareholders' approval and all disclosure requirements under Rule 14A.90 of the Listing Rules.

## **SGM**

The SGM will be held for the purpose of considering and, if thought fit, approving the resolution(s) in respect of the Proposed Connected Transaction. Mr. Choi and his associates shall abstain from voting at the SGM.

## **CIRCULAR**

A circular containing, among other matters, (i) further details of the Facilities and the Guarantee; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Connected Transaction; and (iv) a notice convening the SGM is expected to be despatched to the Shareholders on or before 6 February 2015.

## **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, has been informed to advise the Independent Shareholders in respect of the Proposed Connected Transaction.

## **INDEPENDENT FINANCIAL ADVISER**

Halcyon Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Connected Transaction. The appointment of Halcyon Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“associates”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands

“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Counter Indemnity”	the pro rata counter indemnity to be provided by Merlotte Enterprise in favour of the Company in respect of the Guarantee
“Directors”	the directors of the Company
“Facilities”	comprising (i) the facilities with a combined limit of up to approximately HK\$133,000,000 offered by HSBC to FG International on 31 December 2014; and (ii) the debts purchase service with a funds in use limit of US\$15,000,000 (equivalent to approximately HK\$117,000,000) offered by HSBC to FG International on 17 December 2014
“FG Holdings”	Ford Glory Holdings Limited, a company incorporated in BVI with limited liability and indirectly owned as to 51% by the Company and 49% by Merlotte Enterprise
“FG International”	Ford Glory International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of FG Holdings
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee limited to HK\$350,000,000 to be provided by the Company in favour of HSBC to secure the Facilities and replace the Previous Guarantee
“Halcyon Capital” or “Independent Financial Adviser”	Halcyon 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)
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited

“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Proposed Connected Transaction
“Independent Shareholders”	the Shareholders, other than the Shareholders who have a material interest in the Proposed Connected Transaction (i.e. Shareholders other than Mr. Choi and his associates)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merlotte Enterprise”	Merlotte Enterprise Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Choi
“Mr. Choi”	Mr. Choi Lin Hung, an executive Director and the beneficial owner of the entire issued share capital of Merlotte Enterprise and 49% indirect interest in FG Holdings
“Previous Guarantee”	the guarantee provided by the Company for an aggregate of HK\$120,000,000 in favour of HSBC on 18 July 2014 to secure the facilities with a combined limit of up to approximately HK\$93,000,000 offered by HSBC to FG International on 7 April 2014
“Proposed Connected Transaction”	the proposed provision of financial assistance by the Company to FG International in the form of the Guarantee
“Shares”	ordinary shares of HK\$0.01 each in the issued share capital of the Company
“Shareholders”	the holders of the Shares
“SGM”	a special general meeting of the Company to be convened to seek the approval of the Independent Shareholders in respect of the Proposed Connected Transaction

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“US\$”

United States dollars

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

Hong Kong, 19 January 2015

*As at the date of this announcement, the Board comprises the following members:*

***Executive Directors:***

Li Ming Hung (*Chairman*)

Chen Tien Tui (*Chief Executive Officer*)

Lee Yuen Chiu, Andy

Choi Lin Hung

***Independent non-executive Directors:***

Kan Ka Hon

Phaisalakani Vichai

Kwok Sze Chi

*For illustration purposes, amounts in US\$ in this announcement are converted to HK\$ at the rate of US\$1 = HK\$7.80.*

\* *For identification purposes only*