

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 GUARANTEES**

The Company proposes to provide the Guarantees in favour of the Banks to secure the Facilities to be granted by the Banks to FG International. Merlotte Enterprise will provide the Counter Indemnities in favour of the Company in respect of the Guarantees on a pro rata basis.

As the financial assistance to be provided by the Company in the form of the Guarantees to FG International will exceed the proportional equity interest of the Group in FG International, the provision of the Guarantees in aggregate will constitute a non-exempt connected transaction for the Company and be subject to the announcement and the 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 Guarantees; (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 27 August 2015.

THE GUARANTEES

The IBT-Guarantee

On 17 July 2015, IBT confirmed their agreement to make available to FG International the IBT-Facilities of up to HK\$71,200,000, whereby the types of trade facilities include export open account finance, import open account finance, import acceptance, letter of credit, letter of guarantee, outward documentary bill and inward bill collection finance.

It is proposed that the Company would provide the IBT-Guarantee to secure the IBT-Facilities.

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

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

The BA-Guarantee

On 28 July 2015, BA confirmed their agreement to make available to FG International the BA-Facilities of up to US\$7,000,000 (equivalent to approximately HK\$54,600,000), whereby the types of trade facilities include commercial letters of credit, acceptances supported by trust receipts, trade bills, advances against trust receipts, standby letters of credit and other undertakings, negotiation under letter of credit and overdraft.

It is proposed that the Company would provide the BA-Guarantee to secure the BA-Facilities.

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

Merlotte Enterprise will provide the Counter Indemnities in favour of the Company in respect of the BA-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 trade facilities proposed to be provided by the Facilities will be used to finance the general operation of FG International. The amounts of the Facilities have 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, dyed yarn and garment products.

REASONS FOR PROVISION OF THE GUARANTEES

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 Guarantees 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: (i) the exposure of the Group to the liabilities under the Guarantees is commercially justifiable; (ii) the Proposed Connected Transaction will enable FG International, an indirect non-wholly-owned subsidiary of the Company engaging in the manufacturing, sale and trading of garment products and accessories, to maintain its existing financial resources; and (iii) the provision of the Guarantees by the Company is in its ordinary course of business and therefore in the interests of the Company and the Shareholders as a whole.

In view that Merlotte Enterprise will give the Counter Indemnities in respect of the Guarantees 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 Guarantees 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 transactions contemplated under the provision of the Guarantees in aggregate will constitute a connected transaction for 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 Guarantees to FG International will exceed the proportional equity interest of the Group in FG International, the provision of the Guarantees will in aggregate constitute a non-exempt connected transaction for 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 Guarantees have not been provided. It is intended that the Guarantees will be executed shortly after the approval of the Independent Shareholders is obtained at the SGM. The proposed provision of the Guarantees, when executed after the Independent Shareholders' approval has been obtained, in aggregate will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the Counter Indemnities 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 Guarantees 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 Guarantees; (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 27 August 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 formed 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 |
| “BA” | Bank of America, N.A. |
| “BA-Facilities” | trade facilities of up to US\$7,000,000 (equivalent to approximately HK\$54,600,000) offered by BA to FG International on 28 July 2015 |
| “BA-Guarantee” | the guarantee limited to US\$12,000,000 (equivalent to approximately HK\$93,600,000) and further interest, charges and expenses incurred by BA, to be provided by the Company in favour of BA to secure the BA-Facilities |
| “Banks” | BA and IBT |
| “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 Indemnities” | the pro rata counter indemnities to be provided by Merlotte Enterprise in favour of the Company in respect of the Guarantees |
| “Directors” | the directors of the Company |
| “Facilities” | the BA-Facilities and the IBT-Facilities |
| “FG Holdings” | Ford Glory Holdings Limited, a company incorporated in the 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 |

| | |
|--|--|
| “Guarantees” | the BA-Guarantee and the IBT 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 |
| “IBT” | Industrial Bank of Taiwan Co., Ltd. |
| “IBT-Facilities” | trade facilities of up to HK\$71,200,000 offered by IBT to FG International on 17 July 2015 |
| “IBT-Guarantee” | the guarantee not exceeding the aggregate amount of HK\$71,200,000 and a further sum for all accrued interest, cost, charges and expenses incurred by IBT, to be provided by the Company in favour of IBT to secure the IBT-Facilities |
| “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 |
| “Proposed Connected Transaction” | the proposed provision of financial assistance by the Company to FG International in the form of the Guarantees |
| “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, 6 August 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*