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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)

TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

Placing Agent

 **KINGSTON SECURITIES**

TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

On 1 February 2016, the Placing and Subscription Agreement was entered into between the Vendors, the Company and the Placing Agent, pursuant to which the Placing Agent has agreed to place, on a best effort basis, up to 86,000,000 Placing Shares held by the Vendors to independent third parties who (i) are/will be independent of and not connected with and not acting in concert with any of the Vendors or their respective concert parties; (ii) are not/will not be connected persons of the Company and are/will be independent of and not connected with the Company, the directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates; and (iii) will not become substantial shareholders of the Company immediately following the Placing at HK\$0.70 per Placing Share.

Pursuant to the Placing and Subscription Agreement, the Company has conditionally agreed to allot and issue the Subscription Shares (the exact number of which will be equivalent to the respective number of the Placing Shares actually placed by the Vendors under the Placing) at HK\$0.70 per Subscription Share. The Subscription is subject to various conditions set out below under the section headed “Conditions of the Subscription”.

The price per Placing Share (i) is equivalent to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) represents a premium of approximately 1.74% over the average closing price of HK\$0.688 per Share as quoted on the Stock Exchange for the last 5 trading days prior to the Last Trading Day; and (iii) represents a premium of approximately 5.58% over the average closing price of HK\$0.663 per Share as quoted on the Stock Exchange for the last 10 trading days prior to the Last Trading Day.

The Placing Shares represent approximately 3.94% of the existing issued share capital of the Company as at the date of this announcement and approximately 3.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Assuming the Placing Shares are fully placed under the Placing, the Placing will reduce the aggregate shareholding of the Vendors and any party acting in concert with them from approximately 39.35% to approximately 35.41% of the existing issued share capital of the Company. The then Subscription will increase the aggregate shareholding of the Vendors and any party acting in concert with them to approximately 37.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares thereby triggering a general offer obligation under the Takeovers Code.

An application will be made by the Vendors to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 28 August 2015.

Assuming that the Placing Shares are fully placed under the Placing, the net proceeds from the Subscription will amount to approximately HK\$59.2 million. The Company intends to retain the net proceeds for improvement of the Group's environmental protection facilities in the production plants in Xinhui, the People's Republic of China.

PLACING AND SUBSCRIPTION AGREEMENT

1. The Placing

Vendors:

- (1) Pearl Garden Pacific Limited, a company incorporated in the BVI and 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 of Mr. Li Ming Hung, an executive Director. Pearl Garden Pacific Limited is a substantial shareholder of the Company. As confirmed by Pearl Garden Pacific Limited, Pearl Garden Pacific Limited, together with parties acting in concert with it, held 859,226,000 Shares in aggregate, representing approximately 39.35% of the existing issued share capital of the Company as at the Last Trading Day; and
- (2) Madian Star Limited, a company incorporated in the BVI and wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for the family of Mr. Chen Tien Tui, an executive Director. Madian Star Limited is a substantial shareholder of the Company. As confirmed by Madian Star Limited, Madian Star Limited, together with parties acting in concert with it, held 859,226,000 Shares in aggregate, representing approximately 39.35% of the existing issued share capital of the Company as at the Last Trading Day.

Number of Placing Shares:

The Placing Agent has agreed to procure, on a best effort basis, placees for the purchase of the following numbers of Shares owned by the Vendors, representing in aggregate approximately 3.94% of the existing issued share capital of the Company as at the date of this announcement and approximately 3.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Vendor	Number of Placing Shares owned by the Vendor
Pearl Garden Pacific Limited	43,000,000
Madian Star Limited	43,000,000
Placing Agent	Maximum number of Placing Shares to be placed
Kingston Securities Limited	86,000,000

Placees:

It is expected that the Placing Shares will be placed to not less than six independent private individuals and institutional investors.

Placing price:

HK\$0.70 per Placing Share.

This price was agreed after arm's length negotiations between the Vendors, the Company and the Placing Agent with reference to recent market prices of the Shares. This price (i) is equivalent to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) represents a premium of approximately 1.74% over the average closing price of HK\$0.688 per Share as quoted on the Stock Exchange for the last 5 trading days prior to the Last Trading Day; and (iii) represents a premium of approximately 5.58% over the average closing price of HK\$0.663 per Share as quoted on the Stock Exchange for the last 10 trading days prior to the Last Trading Day.

Placing Agent:

Kingston Securities Limited

Independence of placees and Placing Agent:

To the best knowledge of the Directors:

- (a) the placees, (where applicable) their ultimate beneficial owners, the Placing Agent and their respective beneficial owners are/will be independent of and not connected with and not acting in concert with any of the Vendors or their respective concert parties;
- (b) the placees, (where applicable) their ultimate beneficial owners, the Placing Agent and their respective beneficial owners are not/will not be connected persons of the Company and are/will be independent of and not connected with the Company, the directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates; and

- (c) none of the placees will become substantial shareholders of the Company immediately following the Placing.

Completion of the Placing:

Under the Placing and Subscription Agreement, completion of the Placing will take place on 15 February 2016 or such other date as the Placing Agent may agree.

Rights of the Placing Shares:

The Placing Shares will be sold by the Vendors free from all Encumbrances with all rights attaching to the Placing Shares as at the date of completion of the Placing, including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Placing Shares if the record date shall fall on or after the date of completion of the Placing.

2. The Subscription

Subscribers:

- (1) Pearl Garden Pacific Limited; and
- (2) Madian Star Limited

Number of Subscription Shares:

The Company has agreed to allot and issue and the Vendors have agreed to subscribe for up to 86,000,000 new Shares (the exact number of which will be equivalent to the respective number of the Placing Shares actually placed by the Vendors under the Placing), which, having an aggregate nominal value of HK\$860,000, represents approximately 3.94% of the issued share capital of the Company as at the date of this announcement and, assuming the Placing Shares are fully placed under the Placing, represents approximately 3.79% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares.

Subscribers	Maximum number of Subscription Shares to be subscribed
Pearl Garden Pacific Limited	43,000,000
Madian Star Limited	43,000,000

Subscription price:

HK\$0.70 per Subscription Share, which is equivalent to the price per Placing Share. The Placing and Subscription Agreement provides that the subscription monies for the Subscription Shares shall be the aggregate amount of the placing price for the Placing Shares, less the professional fees and all related expenses in relation to the Placing and the Subscription. The net price per Subscription Share is expected to be approximately HK\$0.69.

The Parties acknowledge that the aggregate Placing Price for the Placing Shares, less all amount deductible under Clause 8 of the Placing and Subscription Agreement, constitute the aggregate Subscription Price for the Subscription Shares.

Mandate to allot and issue new Shares:

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 28 August 2015, under which the Directors are authorised to issue 372,921,979 Shares.

Prior to the date of the Subscription Agreement, the Directors have exercised their powers to allot and issue 286,460,000 Shares pursuant to such mandate, details of which are set out in the announcements of the Company dated 14 September 2015, 15 September 2015, 25 September 2015, 23 October 2015 and 6 November 2015. Accordingly, the Directors are authorised to issue 86,461,979 Shares under such mandate and the issue of the Subscription Shares is not subject to Shareholders' approval.

Ranking:

The Subscription Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of completion of the Subscription.

Conditions of the Subscription:

The Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange agreeing to grant a listing of, and permission to deal in, the Subscription Shares (either unconditionally or subject to conditions which are acceptable to the Company);
- (b) the Executive granting a waiver to the Vendors under Note 6 to the Notes on dispensations from Rule 26 of the Takeovers Code, to the effect that neither the Vendors nor any party acting in concert with them will be obliged to make a general offer for the Shares under the Takeovers Code as a result of the Subscription; and
- (c) completion of the Placing pursuant to the Placing and Subscription Agreement.

None of the above conditions can be waived by the parties to the Placing and Subscription Agreement.

Assuming the Placing Shares are fully placed under the Placing, the Placing will reduce the aggregate shareholding of the Vendors and any party acting in concert with them from approximately 39.35% to approximately 35.41% of the existing issued share capital of the Company. The then Subscription will increase the aggregate shareholding of the Vendors and any party acting in concert with them to approximately 37.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares thereby triggering a general offer obligation under the Takeovers Code.

Completion of the Subscription:

Completion of the Subscription will take place on the business day immediately after the day on which the conditions referred to above are fulfilled.

If the conditions to the Subscription are not fulfilled by 15 February 2016 (or such later date as may be agreed by the Vendors and the Company in writing), all rights, obligations and liabilities of the parties pursuant to the Placing and Subscription Agreement in relation to the Subscription shall cease and determine and none of the parties thereto shall have any claim against any other in respect of the Subscription.

3. Termination

Pursuant to the Placing and Subscription Agreement, unless otherwise agreed among the parties to the Placing and Subscription Agreement, the Placing Agent's appointment shall terminate upon the earlier of (a) completion of the Placing; and (b) termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing and Subscription Agreement, whereby the Vendors will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing and Subscription Agreement. The Placing Agent reserves its right to terminate the arrangements set out in the Placing and Subscription Agreement by notice in writing prior to 9:00 a.m. on the date of completion of the Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any of the force majeure events below:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing and Subscription Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Placing Shares to the placees or otherwise makes it inexpedient or inadvisable for the Vendors or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction of trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to the placee(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Vendors or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the date of completion of the Placing:

- (a) any of the Vendors commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing and Subscription Agreement; or

- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days, other than the purposes of clearing of the announcement (if any) relating to the Placing and Subscription Agreement; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing and Subscription Agreement was, when given, untrue or inaccurate in any material respect;

the Placing Agent shall be entitled (but not bound) by notice in writing to the Vendors to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing and Subscription Agreement. Upon giving of such notice, all obligations of the Placing Agent under the Placing and Subscription Agreement shall cease and determine and no party to the Placing and Subscription Agreement shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Placing and Subscription Agreement, save for any antecedent breaches.

CHANGES TO SHAREHOLDING AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

Assuming the Placing Shares are fully placed under the Placing, the shareholding of the Vendors and any party acting in concert with them in the Company (a) as at the date of this announcement; (b) immediately after the Placing but before the Subscription; and (c) immediately after the Placing and the Subscription are as follows:

Shareholder	As at the date of this announcement		Immediately after the Placing but before the Subscription		Immediately after the Placing and the Subscription	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Vendors						
Pearl Garden Pacific Limited	428,488,000	19.62	385,488,000	17.65	428,488,000	18.88
Madian Star Limited	428,488,000	19.62	385,488,000	17.65	428,488,000	18.88
Parties acting in concert with the Vendors						
Mr. Chen Tien Tui (<i>Note</i>)	2,250,000	0.11	2,250,000	0.11	2,250,000	0.10
Vendors and parties acting in concert with any of them	859,226,000	39.35	773,226,000	35.41	859,226,000	37.86
Places	—	—	86,000,000	3.94	86,000,000	3.79
Public	<u>1,324,503,754</u>	<u>60.65</u>	<u>1,324,503,754</u>	<u>60.65</u>	<u>1,324,503,754</u>	<u>58.35</u>
Total	<u><u>2,183,729,754</u></u>	<u><u>100</u></u>	<u><u>2,183,729,754</u></u>	<u><u>100</u></u>	<u><u>2,269,729,754</u></u>	<u><u>100</u></u>

Note: Mr. Chen Tien Tui is an executive Director

As disclosed in the above shareholding table, immediately after completion of the Placing as well as immediately after completion of the Placing and the Subscription, a minimum of 25% of the then issued share capital of the Company will be in public hands.

REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to enhance the capital base of the Company. The Directors (including the independent non-executive Directors) consider the terms of the Placing and Subscription Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Company and the Shareholders as a whole are concerned.

Assuming that the Placing Shares are fully placed under the Placing:

- (i) the gross proceeds from the Subscription are estimated to be approximately HK\$60.2 million; and
- (ii) the net proceeds, after deducting related professional fees and all related expenses which will be borne by the Company, from the Subscription are estimated to be approximately HK\$59.2 million.

The Company intends to retain the net proceeds for improvement of the Group's environmental protection facilities in the production plants in Xinhui, the People's Republic of China.

GENERAL INFORMATION

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.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

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 announcements	Event	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
14 September 2015, 15 September 2015 and 25 September 2015	Top-up placing of existing Shares and subscription of new Shares	HK\$184 million	Approximately 60% of the net proceeds for the expansion of the Group's fabric manufacturing business and the remaining approximately 40% as general working capital of the Group	Used as intended
23 October 2015 and 6 November 2015	Top-up placing of existing Shares and subscription of new Shares	HK\$97.5 million	Approximately 70% of the net proceeds for the Group's expansion of synthetic fabric production as well as the operation of its fabric printing facilities and the remaining approximately 30% as general working capital of the Group	Used as intended

APPLICATION UNDER THE TAKEOVERS CODE AND THE LISTING RULES

An application will be made by the Vendors to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

DEFINITIONS

The following defined terms are used in this announcement:

“acting in concert”	has the meaning as ascribed to it under the Takeovers Code
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	means a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong of any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong

“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
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Encumbrances”	any mortgage, charge, pledge, lien, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Group”	collectively, the Company and its subsidiaries for the time being
“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
“Last Trading Day”	1 February 2016, being the last trading day in the Shares pending the release of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing and Subscription Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 1 (dealing in securities) regulated activity
“Placing and Subscription Agreement”	the placing and subscription agreement dated 1 February 2016 entered into between the Vendors, the Company and the Placing Agent
“Placing Shares”	up to a total of 86,000,000 Shares held by the Vendors to be placed pursuant to the Placing and Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription of the Subscription Shares by the Vendors pursuant to the Placing and Subscription Agreement
“Subscription Shares”	up to a total of 86,000,000 new Shares, the exact number of which will be equivalent to the respective number of the Placing Shares actually placed by the Vendors under the Placing
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended from time to time
“Vendors”	(1) Pearl Garden Pacific Limited; and (2) Madian Star Limited
“%”	per cent.

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

Hong Kong, 1 February 2016

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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* For identification purposes only