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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 NEW SHARES UNDER SPECIFIC MANDATE

Placing Agent

 **KINGSTON SECURITIES**

THE PLACING

On 18 March 2016 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agreed to place up to 500,000,000 Placing Shares to not less than six Placees at the Placing Price in the range of HK\$0.52 to HK\$0.65 per Placing Share on a best effort basis.

Assuming that the Placing Shares are fully placed, the 500,000,000 Placing Shares represent approximately 22.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 18.04% of the issued share capital of the Company as enlarged by the Placing Shares. The Placing Shares will be issued under the Specific Mandate and will rank pari passu among themselves and with the existing Shares in issue on the completion date of the Placing.

The Placing is conditional upon (1) the passing of the necessary resolutions by the Shareholders at the SGM to approve the Placing, the grant of the Specific Mandate, the Placing Agreement and all other transactions contemplated thereby; and (2) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

GENERAL

The SGM will be convened and held for the purpose of considering and, if thought fit, approving the Specific Mandate to issue the Placing Shares under the Placing Agreement.

A circular containing, among other things, further details of the Placing and the notice of the SGM, is expected to be despatched to the Shareholders on or before 13 April 2016.

THE PLACING

Introduction

On 18 March 2016 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agreed to place up to 500,000,000 Placing Shares to not less than six Placees at the Placing Price in the range of HK\$0.52 to HK\$0.65 per Placing Share on a best effort basis.

Placing Agreement

Date: 18 March 2016 (after trading hours)

Issuer: The Company

Placing Agent: Kingston Securities Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its associates are independent of and not connected with the Company and its connected persons. As at the Last Trading Day, the Placing Agent was not interested in any Shares.

Placees

The Placing Shares are expected to be placed to not less than six Placees, who are professional, institutional or other private investors. Further announcement setting out the names of the Placees in accordance with Rule 13.28(7) of the Listing Rules shall be made by the Company if the Placing Agent fails to identify at least six Placees. The Placees and whose ultimate beneficial owners shall be independent individual, corporate and/or institutional investors who (i) are not connected persons of the Company; and (ii) are independent of each other, the Company and its connected persons.

In addition, the Placing Shares shall only be placed with a Placee whom the Placing Agent reasonably believes, after making reasonable enquiries, that the shareholding of such Placee in the Company will not as a result of the taking up by such Placee of its Placing Shares placed to it reach or exceed 10% of the total issued share capital of the Company as enlarged by the issue and allotment of all the Placing Shares finally placed.

Placing Shares

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to place up to 500,000,000 Placing Shares.

Assuming that the Placing Shares are fully placed, the 500,000,000 Placing Shares represent approximately 22.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 18.04% of the issued share capital of the Company as enlarged by the Placing Shares. Assuming that the Placing Shares are fully placed, the aggregate nominal value of the 500,000,000 Placing Shares is HK\$5,000,000.

Ranking of Placing Shares

The Placing Shares will be issued under the Specific Mandate and will rank pari passu among themselves and with the existing Shares in issue on the completion date of the Placing.

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

Placing Price

The minimum Placing Price of HK\$0.52 represents (i) a discount of approximately 10.34% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 8.45% to the average closing price of HK\$0.568 per Share as quoted on the Stock Exchange for the last 5 trading days before the Last Trading Day; and (iii) a discount of approximately 18.62% to the average closing price of HK\$0.639 per Share as quoted on the Stock Exchange for the last 10 trading days before the Last Trading Day.

The maximum Placing Price of HK\$0.65 represents (i) a premium of approximately 12.07% over the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 14.44% over the average closing price of HK\$0.568 per Share as quoted on the Stock Exchange for the last 5 trading days before the Last Trading Day; and (iii) a premium of approximately 1.72% over the average closing price of HK\$0.639 per Share as quoted on the Stock Exchange for the last 10 trading days before the Last Trading Day.

Assuming that the Placing Shares are fully placed, the gross proceeds to be raised from the Placing will be in the range of approximately HK\$260 million to approximately HK\$325 million. The net proceeds to be raised from the Placing will be in the range of approximately HK\$257 million to approximately HK\$321 million. On this basis, the net price per Placing Share will be in the range of approximately HK\$0.51 to approximately HK\$0.64.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing Agreement are on normal commercial terms and are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

Specific Mandate

The Placing Shares to be issued under the Placing Agreement will be issued pursuant to the Specific Mandate to be obtained at the SGM.

Conditions of the Placing

The Placing is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

- (1) the passing of the necessary resolutions by the Shareholders at the SGM to approve the Placing, the grant of the Specific Mandate, the Placing Agreement and all other transactions contemplated thereby;
- (2) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and
- (3) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure events.

If the above conditions precedent shall not have been fulfilled in full by the Long Stop Date, all rights, obligations and liabilities of the parties under the Placing Agreement shall cease and terminate and no party shall have any claim against the other in relation thereto save for antecedent breaches of the provisions of the Placing Agreement.

Termination

Pursuant to the Placing Agreement, unless otherwise agreed among the parties to the Placing 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 Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement. The Placing Agent reserves its right to terminate the arrangements set out in the Placing 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 hereof) 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 Company 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 or 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 Company 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) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than 10 consecutive trading days, other than the purposes of clearing of the announcement (if any) relating to the Placing Agreement; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing 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 Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement. Upon giving of such notice, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party to the Placing 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 Agreement, save for any antecedent breaches.

Completion of the Placing

Completion of the Placing shall take place on a date as shall be notified by the Placing Agent to the Company in writing, such date shall be (i) a Business Day; (ii) not less than 2 clear Business Days after the date on which such notice is served on the Company and (iii) not more than 10 clear Business Days after all the conditions precedent as set out above shall have been fulfilled.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

CHANGES TO SHAREHOLDING AS A RESULT OF THE PLACING

The existing and enlarged shareholding structure of the Company immediately before and after completion of the Placing is set out below:

	As at the date of this announcement		Immediately after the Placing	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Chen Tien Tui (<i>Note 1</i>)	2,250,000	0.10	2,250,000	0.08
Choi Lin Hung (<i>Note 1</i>)	8,500,000	0.37	8,500,000	0.31
Phaisalakani Vichai (<i>Note 2</i>)	800,000	0.04	800,000	0.03
Pearl Garden Pacific Limited (<i>Note 3</i>)	428,488,000	18.86	428,488,000	15.46
Madian Star Limited (<i>Note 4</i>)	428,488,000	18.86	428,488,000	15.46
Places	—	—	500,000,000	18.04
Other public Shareholders	<u>1,403,702,686</u>	<u>61.77</u>	<u>1,403,702,686</u>	<u>50.62</u>
Total	<u>2,272,228,686</u>	<u>100</u>	<u>2,772,228,686</u>	<u>100</u>

Notes:

- Each of Mr. Chen Tien Tui and Mr. Choi Lin Hung is an executive Director.
- Mr. Phaisalakani Vichai is an independent non-executive Director.
- 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.
- 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.

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

REASONS FOR THE PLACING

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 and strengthen the financial position of the Company. The Directors (including the independent non-executive Directors) consider the terms of the Placing 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:

- the gross proceeds from the Placing are estimated to be in the range of approximately HK\$260 million to approximately HK\$325 million; and
- the net proceeds, after deducting related professional fees and all related expenses which will be borne by the Company, from the Placing are estimated to be in the range of approximately HK\$257 million to approximately HK\$321 million.

The Company intends to utilise the net proceeds for (i) the expansion of the Group's existing fabric manufacturing facilities; and (ii) the planned expansion of the Group to establish new production facilities for fabric manufacturing in Vietnam.

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 announcement	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
1 February 2016, 2 February 2016 and 15 February 2016	Top-up placing of existing Shares and subscription of new Shares	HK\$54.9 million	For improvement of the Group's environmental protection facilities in the production plants in Xinhui, the People's Republic of China	To be utilised as intended

GENERAL

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 SGM will be convened and held for the purpose of considering and, if thought fit, approving the Specific Mandate to issue the Placing Shares under the Placing Agreement. To the best knowledge of the Directors, none of the Shareholders has a material interest in the proposed Specific Mandate as at the date of this announcement.

A circular containing, among other things, further details of the Placing and the notice of the SGM, is expected to be despatched to the Shareholders on or before 13 April 2016.

DEFINITIONS

The following defined terms are used in this announcement:

“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“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”	18 March 2016, being the last trading day in the Shares pending the release of this announcement
“Long Stop Date”	5:00 p.m. on the date falling on the 30th day after the date of the SGM (or such later date as may be agreed by the Placing Agent and the Company in writing)
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any person or entity procured by or on behalf of the Placing Agent to subscribe for any of the Placing Shares
“Placing”	the placing of the Placing Shares on a best efforts basis pursuant to the terms of the Placing 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 Agreement”	the conditional placing agreement dated 18 March 2016 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	the price in the range of HK\$0.52 to HK\$0.65 per Placing Share, to be determined and agreed between the Company and the Placing Agent on the date of the SGM
“Placing Shares”	up to 500,000,000 new Shares
“SGM”	a special general meeting of the Company to be convened and held for the purpose of considering and (if thought fit) approving, among other matters, the Specific Mandate to issue the Placing Shares under the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Specific Mandate”	a specific mandate to be sought at the SGM for the issue of up to 500,000,000 Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 18 March 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.

* For identification purposes only