
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in the Company, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this circular, 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 circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) CONNECTED TRANSACTION:
REDEMPTION OF EXISTING CONVERTIBLE BONDS BY WAY OF
ISSUANCE OF NEW CONVERTIBLE BONDS;
AND
(4) NOTICE OF THE SGM**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this circular shall have the same meanings as defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 8 to 35 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 36 to 37 of this circular. A letter from Gram Capital containing its recommendation and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 50 of this circular.

A notice convening the SGM to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on Friday, 21 June 2019 at 10:00 a.m. or any adjournment thereof is set out on pages 62 to 64 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting (i.e. 10:00 a.m. on Wednesday, 19 June 2019, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

* *for identification purposes only*

CONTENTS

| | <i>Page</i> |
|---|-------------|
| DEFINITIONS | 1 |
| EXPECTED TIMETABLE FOR THE SHARE CONSOLIDATION | 6 |
| LETTER FROM THE BOARD | 8 |
| LETTER FROM THE INDEPENDENT BOARD COMMITTEE | 36 |
| LETTER FROM GRAM CAPITAL | 38 |
| APPENDIX — GENERAL INFORMATION | 51 |
| NOTICE OF THE SGM | 62 |

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the following meanings:

| | |
|---------------------------------|---|
| “acting in concert” | has the meaning ascribed thereto in the Takeovers Code |
| “Approved Professional Adviser” | an independent firm of merchant bank or audit firm of international repute in the opinion of the Company appointed in accordance with the provisions of the instrument constituting the New Convertible Bonds |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Bondholder(s)” | a person in whose name is registered in the register of Bondholders, and “holder” in relation to a New Convertible Bond has a corresponding meaning |
| “Business Day” | a day (other than a Saturday, Sunday or statutory holiday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which licensed banks in Hong Kong are generally open for ordinary banking business throughout their normal business hours |
| “BVI” | the British Virgin Islands |
| “CB Announcement” | the announcement of the Company dated 26 April 2019 in relation to, among other things, the Subscriptions |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “Change in Board Lot Size” | the proposed change in board lot size of the Existing Shares for the trading on the Stock Exchange from 2,000 Existing Shares to 4,000 Consolidated Shares |
| “Company” | Victory City International Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange |
| “Completion” | completion of the Subscriptions and shall take place on the Completion Date |
| “Completion Date” | the fifth Business Day following the date on which the conditions precedent set out in the Subscription Agreement are fulfilled (or such other date as the Company and the Subscribers may agree in writing) |

DEFINITIONS

| | |
|---|---|
| “connected person(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Consolidated Share(s)” | ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately after the Share Consolidation becoming effective |
| “Conversion Price” | the conversion price per Conversion Share at which Conversion Shares will be issued upon exercise of the conversion rights attaching to the New Convertible Bonds, being initially HK\$0.106 per Existing Share (or HK\$1.06 per Consolidated Share, assuming the Share Consolidation becoming effective), subject to adjustments pursuant to the terms and conditions of the New Convertible Bonds |
| “Conversion Share(s)” | new Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the New Convertible Bonds pursuant to the terms and conditions of the New Convertible Bonds |
| “Director(s)” | director(s) of the Company |
| “Existing Convertible Bonds” | the HK\$400,000,000 five (5) per cent. convertible bonds due 2019 issued by the Company to the Subscribers on 22 September 2017 |
| “Existing Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent board committee of the Board established by the Board, comprising all the independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and as to voting at the SGM |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Subscriptions |

DEFINITIONS

| | |
|----------------------------|---|
| “Independent Shareholders” | Shareholders, other than the Subscribers and their respective associates who are required to abstain from voting at the SGM pursuant to the Listing Rules |
| “Issue Date” | the date of first issue of the New Convertible Bonds |
| “Last Trading Day” | 26 April 2019, being the last trading day for the Existing Shares before the entering into of the Subscription Agreement |
| “Latest Practicable Date” | 31 May 2019, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular |
| “Listing Committee” | the listing committee of the Stock Exchange for considering applications for listing and the granting of listing |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Longstop Date” | 23 September 2019 or such other date as the Company and the Subscribers shall agree in writing |
| “Madian Star” | Madian Star Limited, an investment holding company incorporated in the BVI with limited liability, and is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen’s family members, being one of the Subscribers under the Subscription Agreement |
| “Maturity Date” | the date falling two years (which can, by agreement between the Bondholders and the Company, be extended to five years) after the Issue Date or, if that is not a Business Day, the first Business Day thereafter |
| “Mr. Chen” | Mr. Chen Tien Tui, an executive Director |
| “Mr. Li” | Mr. Li Ming Hung, an executive Director |
| “New Convertible Bonds” | the HK\$400,000,000 five (5) per cent. convertible bonds due 2021 (extendable to 2024 by agreement) to be issued by the Company to the Subscribers |
| “Pearl Garden” | Pearl Garden Pacific Limited, an investment holding company incorporated in the BVI with limited liability, and is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li’s family members, being one of the Subscribers under the Subscription Agreement |

DEFINITIONS

| | |
|------------------------------------|---|
| “PRC” | the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of PRC and Taiwan |
| “Public Float Requirement” | the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the Shares which are listed on the Stock Exchange shall be held by the public for the purpose of the Listing Rules |
| “Redemption” | the early redemption the whole of the outstanding principal amount of the Existing Convertible Bonds by way of issuance of the New Convertible Bonds to the Subscribers |
| “Redemption Notice” | the redemption notice dated 26 April 2019 served by the Company to each of the Subscribers in relation to the Redemption |
| “Rights Issue” | the rights issue of the Company completed on 18 April 2019 |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SGM” | a special general meeting of the Company convened and to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on Friday, 21 June 2019 at 10:00 a.m. to consider and, if thought fit, approve (i) the Share Consolidation; and (ii) the Subscription Agreement and the transactions contemplated thereunder, including (among other matters) the issue of New Convertible Bonds and the allotment and issue of the Conversion Shares falling to be issued upon conversion of the New Convertible Bonds (or any adjournment thereof) |
| “Share(s)” | the Existing Share(s) and/or the Consolidated Share(s), as the case may be |
| “Share Consolidation” | the proposed consolidation of every ten (10) Existing Shares of HK\$0.01 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of HK\$0.10 each in the issued and unissued share capital of the Company |
| “Share Consolidation Announcement” | the announcement dated 2 May 2019 made by the Company in relation to the proposed Share Consolidation and the proposed Change in Board Lot Size |

DEFINITIONS

| | |
|------------------------------|--|
| “Share Option Scheme” | the share option scheme of the Company adopted on 15 March 2011 |
| “Share Options” | options to subscribe for new Shares granted under the Share Option Scheme |
| “Shareholder(s)” | holder(s) of the issued Share(s) |
| “Specific Mandate” | the specific mandate to be granted to the Directors by the Independent Shareholders at the SGM to allot and issue the Conversion Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscribers” | Pearl Garden and Madian Star, being the subscribers under the Subscription Agreement |
| “Subscriptions” | the subscriptions of the New Convertible Bonds pursuant to the terms of the Subscription Agreement |
| “Subscription Agreement” | the conditional subscription agreement dated 26 April 2019 and entered into among the Company and the Subscribers in relation to the Subscriptions |
| “substantial Shareholder(s)” | has the meaning ascribed to it in the Listing Rules |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “%” | per cent. |

EXPECTED TIMETABLE FOR THE SHARE CONSOLIDATION

The expected timetable for the implementation of the Share Consolidation is as follows:

| Event | 2019 |
|--|-------------------------------------|
| Expected date of despatch of the circular with notice and form of proxy of the SGM | Wednesday, 5 June |
| Latest date and time for lodging transfer documents in order to qualify for attending and voting at the SGM | 4:30 p.m. on Monday, 17 June |
| Closure of register of members for determining the entitlement to attend and vote at the SGM (both dates inclusive) | Tuesday, 18 June to Friday, 21 June |
| Latest date and time for lodging forms of proxy for the SGM | 10:00 a.m. on Wednesday, 19 June |
| Date and time of the SGM | 10:00 a.m. on Friday, 21 June |
| Announcement of voting results of the SGM | Friday, 21 June |
| Effective date of the Share Consolidation | Monday, 24 June |
| First day for free exchange of existing share certificates for new share certificates for the Consolidated Shares commences | Monday, 24 June |
| Commencement of dealings in Consolidated Shares | 9:00 a.m. on Monday, 24 June |
| Original counter for trading in the Existing Shares in board lots of 2,000 Existing Shares (in the form of existing share certificates) temporarily closes | 9:00 a.m. on Monday, 24 June |
| Temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of existing share certificates) opens | 9:00 a.m. on Monday, 24 June |
| Original counter for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of new share certificates) re-opens | 9:00 a.m. on Tuesday, 9 July |

EXPECTED TIMETABLE FOR THE SHARE CONSOLIDATION

| Event | 2019 |
|--|------------------------------|
| Parallel trading in the Consolidated Shares (in form of new share certificates and existing share certificates) commences | 9:00 a.m. on Tuesday, 9 July |
| Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares | 9:00 a.m. on Tuesday, 9 July |
| Temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of existing share certificates) closes | 4:00 p.m. on Monday, 29 July |
| Parallel trading in Consolidated Shares (in form of new share certificates and existing share certificates) ends | 4:00 p.m. on Monday, 29 July |
| Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares | 4:00 p.m. on Monday, 29 July |
| Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares | Wednesday, 31 July |

All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable set out above is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

Executive Directors:

Li Ming Hung (*Chairman*)
Chen Tien Tui (*Chief Executive Officer*)
Lee Yuen Chiu Andy
Choi Lin Hung

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Kan Ka Hon
Phaisalakani Vichai
Kwok Sze Chi

*Head office and principal place of
business in Hong Kong:*

Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
New Territories
Hong Kong

5 June 2019

*To the Shareholders, and for information purpose only,
holders of the Share Options*

Dear Sirs

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
AND
(3) CONNECTED TRANSACTION:
REDEMPTION OF EXISTING CONVERTIBLE BONDS BY WAY OF
ISSUANCE OF NEW CONVERTIBLE BONDS**

INTRODUCTION

Reference is made to the Share Consolidation Announcement in relation to the Share Consolidation and the CB Announcement in relation to, among others, the Redemption and Subscriptions.

* *for identification purposes only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Share Consolidation; (ii) further information regarding the Redemption and the Subscriptions; (iii) the letter of recommendation from the Independent Board Committee to approve the Subscription Agreement and the transactions contemplated thereunder; (iv) the letter from Gram Capital containing its advice to the Independent Board Committee and Independent Shareholders in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder; and (v) the notice of SGM.

(1) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.10 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions being satisfied:

- (i) the passing of an ordinary resolution by the Shareholders at the SGM to approve the Share Consolidation; and
- (ii) the Listing Committee of the Stock Exchange granting of the listing of, and permission to deal in, the Consolidated Shares to be issued, upon the Share Consolidation becoming effective.

Subject to the satisfaction of all the above conditions, it is expected that the Share Consolidation will become effective on the next business day immediately following the date of the SGM (i.e. Monday, 24 June 2019).

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$400,000,000 divided into 40,000,000,000 Existing Shares of HK\$0.01 each, of which 7,769,119,810 Existing Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, on the basis that the Company does not allot, issue or repurchase any Existing Shares prior thereto, the authorised share capital of the Company shall become HK\$400,000,000 divided into 4,000,000,000 Consolidated Shares of HK\$0.10 each, of which 776,911,981 Consolidated Shares will be in issue.

As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation and the Change in Board Lot Size.

LETTER FROM THE BOARD

Status of the Consolidated Shares

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

Listing Application

An application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Consolidated Shares.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal in being or is proposed to be sought.

(2) PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in the board lot size of 2,000 Existing Shares. Conditional upon the Share Consolidation becoming effective, the Board also proposes to change the board lot size for trading on the Stock Exchange from 2,000 Existing Shares to 4,000 Consolidated Shares with effect from 9:00 a.m. on Monday, 24 June 2019.

Based on the closing price of HK\$0.071 per Existing Share (equivalent to the theoretical closing price of HK\$0.71 per Consolidated Share) as at the date of Latest Practicable Date, (i) the value of each existing board lot of Existing Shares is HK\$142; (ii) the value of each board lot of 2,000 Consolidated Shares would be HK\$1,420 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 4,000 Consolidated Shares would be HK\$2,840 assuming that the Change in Board Lot Size had also been effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

Other Arrangements

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling the Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Odd lots trading arrangement

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed Get Nice Securities Limited, at 10/F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong, as agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may, on or after Monday, 24 June 2019 until Wednesday, 31 July 2019 (both days inclusive), submit share certificates for the Existing Shares (in blue colour) to the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, to exchange, at the expense of the Company, for new share certificates in green colour of the Consolidated Shares (on the basis of ten (10) Existing Shares for one (1) Consolidated Share). Thereafter, share certificates of Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher. After close of business on Monday, 29 July 2019, share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for certificates for Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

LETTER FROM THE BOARD

Adjustments in relation to other securities of the Company

As at the Latest Practicable Date, there were 689,050,000 Share Options granted under the Share Option Scheme entitling the holders thereof to subscribe for up to 689,050,000 Existing Shares. Under the relevant terms and conditions thereof, the Share Consolidation may lead to adjustments to the exercise price and/or the number of shares of the Company falling to be issued upon exercise of the Share Options pursuant to the terms thereof. Assuming there is no other adjustment event under the relevant share option scheme other than the Share Consolidation becoming effective, the Share Options will entitle the holders thereof to subscribe for up to 68,905,000 Consolidated Shares in aggregate.

As at the Latest Practicable Date, the Existing Convertible Bonds with the aggregate principal amount of HK\$400,000,000 entitling the bondholders to convert into 1,333,333,334 Existing Shares at the initial conversion price of HK\$0.30 per Existing Share. Pursuant to the terms and conditions of the Existing Convertible Bonds, the conversion price of the Existing Convertible Bonds and the number of Existing Shares falling to be allotted and issued upon conversion of the Existing Convertible Bonds shall be adjusted as a result of the placing of new shares completed 18 January 2018, the issue of new shares under the final dividend of HK\$1.0 cent per Existing Share for the year ended 31 March 2018 in the form of scrip dividend, the Rights Issue and the Share Consolidation.

Reference is also made to the CB Announcement, it is intended that the Existing Convertible Bonds will be redeemed by issuance of the New Convertible Bonds with the aggregate principal amount of HK\$400,000,000 entitling the Bondholders to convert into 3,773,584,906 Existing Shares at the initial conversion price of HK\$0.106 per Existing Share, which is subject to Completion. Assuming the Subscriptions have been completed and there is no other adjustment event under the terms of the New Convertible Bonds other than the Share Consolidation becoming effective, the New Convertible Bonds will entitle the Bondholders to convert into 377,358,490 Consolidated Shares at the conversion price of HK\$1.06 per Consolidated Share. Please refer to the paragraph headed “Connected transaction: Redemption of Existing Convertible Bonds by way of issuance of New Convertible Bonds” in this section for further details of the Redemption and the Subscriptions.

Further announcement will be made by the Company in respect of the above adjustments as and when appropriate.

Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Existing Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

Reasons for the Share Consolidation and the Change in Board Lot Size

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. Recently, the Stock Exchange has raised its concern under Rule 13.64 of the Listing Rules as the share price of the Company has been traded at around or below HK\$0.100 per Existing Share at certain time since 20 February 2019.

The proposed Share Consolidation will increase the nominal value of the Shares and reduce the number of Shares currently in issue. It is expected to bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. The Change in Board Lot Size would allow the trading value for each board lot to avoid incompliance with the trading requirements under the Listing Rules. Accordingly, the Board is of the view that the Share Consolidation and the Change in Board Lot Size is in the interests of the Company and the Shareholders as a whole.

(3) CONNECTED TRANSACTION: REDEMPTION OF EXISTING CONVERTIBLE BONDS BY WAY OF ISSUANCE OF NEW CONVERTIBLE BONDS

As disclosed in the CB Announcement, on 26 April 2019, the Company served and the Subscribers accepted, the Redemption Notice in relation to the redemption of the Existing Convertible Bonds in the principal amount of HK\$400,000,000 by way of issuance of the New Convertible Bonds in an aggregate principal amount of HK\$400,000,000 to the Subscribers pursuant to the Subscription Agreement. Accordingly, the Company and the Subscribers entered into the Subscription Agreement on 26 April 2019 pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the New Convertible Bonds of an aggregate principal amount of up to HK\$400,000,000.

The Redemption Notice

On 26 April 2019 (after trading hours), the Company served and the Subscribers accepted, the Redemption Notice in relation to the redemption of the Existing Convertible Bonds in the principal amount of HK\$400,000,000 by way of issuance of the New Convertible Bonds in an aggregate principal amount of HK\$400,000,000 to the Subscribers pursuant to the Subscription Agreement.

Completion of the Redemption is conditional on completion of the Subscriptions in accordance with the Subscription Agreement.

LETTER FROM THE BOARD

The Subscription Agreement

Accordingly, on 26 April 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the New Convertible Bonds of an aggregate principal amount of up to HK\$400,000,000.

A summary of the principal terms of the Subscription Agreement is set out below.

Date: 26 April 2019

Parties:

Issuer: The Company

The Subscribers: (1) Pearl Garden Pacific Limited; and
(2) Madian Star Limited

The New Convertible Bonds will be subscribed by the Subscribers in the following proportion:

| Subscriber | Amount (HK\$) | Number of Conversion Shares (subject to adjustment) |
|-------------------|--------------------------|---|
| Pearl Garden | 200,000,000 | 1,886,792,453 Existing Shares (or 188,679,245 Consolidated Shares, assuming the Share Consolidation becoming effective) |
| Madian Star | 200,000,000 | 1,886,792,453 Existing Shares (or 188,679,245 Consolidated Shares, assuming the Share Consolidation becoming effective) |
| Total | 400,000,000 | 3,773,584,906 Existing Shares (or 377,358,490 Consolidated Shares, assuming the Share Consolidation becoming effective) |

Pearl Garden is an investment holding company incorporated in the BVI whose issued share capital is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li's family members. As at the Latest Practicable Date, Pearl Garden is a substantial Shareholder of the Company and, accordingly, Pearl Garden is a connected person under the Listing Rules.

LETTER FROM THE BOARD

Madian Star is an investment holding company incorporated in the BVI whose issued share capital is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen's family members. As at the Latest Practicable Date, Madian Star is a substantial Shareholder of the Company and, accordingly, Madian Star is a connected person under the Listing Rules.

Subject matter

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for the New Convertible Bonds in the aggregate principal amount of HK\$400,000,000 on the Completion Date.

Conditions precedent

The subscription by the Subscribers of the New Convertible Bonds is conditional upon the following conditions being fulfilled (or waived, if applicable) at or before 5:00 p.m. on the Longstop Date:

- (1) the Listing Committee having granted listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the New Convertible Bonds;
- (2) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before Completion and none of the warranties set out in the Subscription Agreement having been breached by the Company in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (3) the Board approving and authorising the execution and completion of the Subscription Agreement and the instrument constituting the New Convertible Bonds, the creation and issue of the New Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the New Convertible Bonds; and
- (4) the passing of all necessary Independent Shareholders' approval of the Company (as required), among other matters, regarding the issue of the New Convertible Bonds, authorising the Board to allot and issue the Conversion Shares upon exercise of the conversion rights attaching to the New Convertible Bonds in compliance with the applicable requirements under the Listing Rules.

The Subscribers may, at their discretion and upon such terms as they think fit, waive compliance with the condition (2) set out above.

LETTER FROM THE BOARD

In the event that any of the above conditions is not fulfilled (or waived, if applicable) on or before the Longstop Date, the Redemption Notice shall become null and void and cease to have any effect and none of the Company and the Bondholders shall have any claims against the other in respect of the Subscriptions save for liabilities for any antecedent breaches of the Redemption Notice. Accordingly, the Subscriptions will not proceed.

Completion

Completion will take place on the Completion Date after the fulfilment or waiver (as the case may be) of the conditions set out in the Subscription Agreement.

Principal terms of the New Convertible Bonds

The principal terms of the New Convertible Bonds were arrived at after arm's length negotiations between the Company and the Subscribers and are summarised as follows

| | |
|-------------------|--|
| Issuer: | The Company |
| Principal amount: | HK\$400,000,000 |
| Issue price: | 100% of the principal amount of the New Convertible Bonds |
| Interest rate: | 5% per annum on the outstanding principal amount of the New Convertible Bonds, which shall be payable in arrears on 30 June and 31 December of each year from the Issue Date until the Maturity Date. |
| Maturity Date: | The date falling two years (which can, by agreement between the Bondholders and the Company, be extended to five years) after the Issue Date or, if that is not a Business Day, the first Business Day thereafter. |
| Status: | The New Convertible Bonds will (subject to any obligations preferred by mandatory provisions of law) rank <i>pari passu</i> with all other present and future direct, unconditional and unsubordinated obligations of the Company. |

LETTER FROM THE BOARD

Conversion right:

Subject as provided in the terms of the New Convertible Bonds, the New Convertible Bonds are convertible in whole or in part into new Shares any time during the period commencing from the Issue Date, at the Conversion Price, subject to adjustment in accordance with the terms of the New Convertible Bonds. Any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 and no fraction of a Share shall be issued on conversion.

If the issue of Conversion Shares following the exercise by a Bondholder of the conversion rights attaching to the New Convertible Bonds held by such Bondholder would result in:

- (i) such Bondholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, directly or indirectly (i) controlling or being interested in 30% or more of the entire issued voting share capital of the Company (or such other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer) as at the date of conversion; or (ii) exceeding 2% creeper rule under Rule 26.1 of the Takeovers Code within any 12 month period from a holding of voting rights of between 30% and 50% and a mandatory general offer obligation will be triggered under the Takeovers Code; or
- (ii) the Company not meeting the Public Float Requirement immediately after the conversion,

then the number of Conversion Shares to be issued pursuant to such conversion shall be limited to the maximum number of Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement or mandatory general offer being triggered under the Takeovers Code (as the case may be) and the balance of the conversion rights attaching to the New Convertible Bonds which the Bondholder sought to convert shall be suspended until such time when the Company is able to issue additional Shares in satisfaction of the exercise of the said balance of conversion rights attaching to the New Convertible Bonds and at the same time comply with the Public Float Requirement or without triggering a mandatory general offer under the Takeovers Code.

LETTER FROM THE BOARD

- Conversion period: The holder(s) of the New Convertible Bonds shall have the right to convert the whole or part of the principal amount of the New Convertible Bonds into Conversion Shares for the period commencing from the Issue Date up to 4:00 p.m. on the Maturity Date.
- Conversion Price: The Conversion Price is initially HK\$0.106 per Existing Share (or HK\$1.06 per Consolidated Share, assuming the Share Consolidation becoming effective), subject to adjustment provisions as summarised below.
- Comparison of Conversion Price: The Conversion Price of HK\$0.106 per Conversion Share represents:
- (i) a premium of approximately 10.42% over the closing price of the Existing Shares of HK\$0.096 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
 - (ii) a premium of approximately 9.50% over the average closing price of the Existing Shares of approximately HK\$0.0968 per Existing Share based on the closing prices of the Existing Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
 - (iii) a premium of approximately 7.61% over the average closing price of the Existing Shares of approximately HK\$0.0985 per Existing Share based on the closing prices of the Existing Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
 - (iv) a premium of approximately 49.30% over the closing price of the Existing Shares of HK\$0.071 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date; and
 - (v) a discount of approximately 86.91% to the unaudited net asset value per Existing Share of approximately HK\$0.81 (based on the latest published consolidated net asset value of the Group of approximately HK\$6,267,605,000 as at 30 September 2018 as disclosed in the interim report of the Company for the six months ended 30 September 2018 and 7,769,119,810 Existing Shares in issue as at the Latest Practicable Date).

LETTER FROM THE BOARD

The Directors noted that the Conversion Price represented a discount of approximately 86.91% to the unaudited net asset value per Existing Share of approximately HK\$0.81 as referred in (v) above. However, the Directors (not including the independent non-executive Directors who will express their view in the letter from the Independent Board Committee in the circular) considered that (i) the prevailing market price of the Existing Shares represented the market view on the value of the Company as a whole; (ii) the Subscribers could have purchased the Existing Shares from the Stock Exchange at a price lower than the Conversion Price, and their willingness to subscribe for the New Convertible Bonds with a Conversion Price higher than the prevailing market price of the Existing Shares; (iii) the Conversion Price represented a premium over the daily closing price of Existing Shares as quoted on the Stock Exchange from 20 February 2019 up to the Last Trading Day; (iv) the financial position of the Company, especially the gearing ratio of the Group, being defined as net debt (representing total bank borrowings net of cash and cash equivalents) to shareholders' funds, increased to approximately 40.0% as at 30 September 2018 from approximately 33.4% as at 31 March 2018; and (v) the reasons as stated in the paragraph headed "Reasons for the Redemption, the Subscriptions and use of proceeds" in this circular, the Directors (not including the independent non-executive Directors who will express their view in the letter from the Independent Board Committee in the circular) considered that the Conversion Price is fair and reasonable.

LETTER FROM THE BOARD

Adjustments to
Conversion Price:

The Conversion Price may be adjusted in the event of any alteration in the capital structure of the Company whether arising by reason of a capitalisation of profits or reserves, rights issue or other offer of securities to holder of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of the Company), consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever except where any such event is specifically exempted under the terms and conditions of the New Convertible Bonds, including but not limited to any issue or grant of Shares, options or other securities of the Company or any of its subsidiaries wholly or partly convertible into, or rights to acquire, Shares to the Directors or employees of the Company or any of its subsidiaries or their personal representatives pursuant to an employee share scheme of the Company or any of its subsidiaries.

In any such alteration in the capital structure of the Company, the Company shall prior to the Conversion Date instruct an Approved Professional Adviser to consider whether any adjustment should be made to the Conversion Price in order to fairly and appropriately reflect the relative interests of the Company and the Bondholder(s). The Directors shall make an adjustment to the Conversion Price in such manner as an Approved Professional Adviser certifies to be, in its opinion, appropriate.

Further provisions in relation to adjustment to Conversion Price:

- (1) Where more than one event gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that the Approved Professional Adviser considers in good faith that the operation of the above provisions would need to be subject to some modification in order to give the intended commercial result, such modification shall be made to the operation of the above provisions as may be advised by the Approved Professional Adviser, acting as an expert, to be in their opinion appropriate in order to give such intended result.

LETTER FROM THE BOARD

- (2) No adjustment will be made to the Conversion Price (i) where Shares are allotted or issued pursuant to any exercise of the Conversion Rights or (ii) upon any issue or grant of Shares, options or other securities of the Group wholly or partly convertible into, or rights to acquire, Shares to directors or employees of the Group or their personal representatives pursuant to an employee share scheme of the Group.
- (3) No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares.

Conversion Shares to be issued under the Convertible Bonds: The number of Shares to be issued upon conversion of the New Convertible Bonds shall be determined by dividing the principal amount of the relevant New Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.

Upon exercise of the conversion rights under the New Convertible Bonds in full at the initial Conversion Price of HK\$0.106 per Existing Share, a total of 3,773,584,906 Existing Shares will be issued, representing:

- (i) approximately 48.57% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 32.69% of the issued share capital of the Company as enlarged by the issue of Conversion Shares.

Redemption upon maturity: Any New Convertible Bond which remains outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be redeemed by the Company at a redemption amount equal to the principal amount of the outstanding New Convertible Bonds together with interest accrued thereon.

LETTER FROM THE BOARD

| | |
|------------------------------------|---|
| Redemption by the Company: | The Company may at any time during the period commencing from the Issue Date and expiring on the Maturity Date redeem the whole or part of the outstanding New Convertible Bonds by giving the Bondholders not less than seven Business Days' prior notice at the redemption amount which is 100% of the principal amount of the outstanding New Convertible Bonds to be redeemed together with interest accrued to the relevant date of redemption. |
| Redemption by the Bondholders: | Each Bondholder will have the unconditional right at any time during the period commencing from the Issue Date and expiring on the Maturity Date to require the Company to redeem the whole or part of the outstanding New Convertible Bonds by giving the Company not less than 60 days prior notice at the redemption amount which is 100% of the principal amount of the outstanding New Convertible Bonds to be redeemed together with interest accrued to the relevant date of redemption. |
| Redemption upon events of default: | Upon the occurrence of an event of default as described below and at any time thereafter, each of the Bondholders may, unless such event of default has been waived in writing by it, by notice in writing (the " Default Redemption Notice ") requires the Company to redeem the whole (but not part) of the outstanding principal amount of the New Convertible Bonds at the redemption amount provided in the instrument constituting the New Convertible Bonds whereupon such sum shall become due and payable in the manner provided in the instrument constituting the New Convertible Bonds on the Business Day falling after seven Business Days of the date of such notice. |
| Voting rights: | The New Convertible Bonds shall not confer on the Bondholder(s) the right to vote at any general meetings of the Company. |
| Listing: | No application has been or will be made for the listing of the New Convertible Bonds on the Stock Exchange or any other stock exchange. |

LETTER FROM THE BOARD

Transferability: Subject to the satisfaction of warranties stipulated in the instrument constituting the New Convertible Bonds (or, if capable of being remedied, has been remedied) and subject to the Company's prior written consent, the New Convertible Bonds may be transferred to any person in whole multiples of HK\$1,000,000 (or such lesser amount as may represent the entire principal amount thereof). A transfer shall be effected by delivery of a certificate issued in the name of the Bondholder issued in respect of that New Convertible Bond, with an instrument of transfer duly completed and signed by both the transferor and the transferee. No transfer of title to any New Convertible Bond will be effective unless and until entered on the register of Bondholders.

Subject to the Listing Rules, the New Convertible Bonds may not be transferred to connected persons of the Company.

Events of default: If, among others, any of the following events occurs, the holders of the New Convertible Bonds may give notice to the Company that the New Convertible Bonds are immediately due and payable at their principal amount together with interest accrued:

- (1) **Payment default:** a default is made in the payment of interest due on the New Convertible Bonds when due and such default shall not have been cured by payment by the Company within 15 days after the due date; or
- (2) **Other default:** a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the instrument constituting the New Convertible Bonds or in the New Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal, premium (if any) and interest in respect of any of the New Convertible Bonds) and such default continues for the period of 14 days next following the service by any holder of the New Convertible Bonds on the Company of notice specifying brief details of such default and requiring such default to be remedied; or

LETTER FROM THE BOARD

- (3) **Breach of Subscription Agreement:** a material breach of any of the terms of the Subscription Agreement, including a breach of any warranty therein which is not discovered until after the issue and delivery of the New Convertible Bonds; or
- (4) **Dissolution of the Company and Disposals:** a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an ordinary resolution of holders of the New Convertible Bonds; or
- (5) **Encumbrances:** an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company; or
- (6) **Distress etc.:** a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the assets or undertaking or property of the Company and is not discharged within seven days thereof; or
- (7) **Trading suspension and delisting:** if trading of the Shares are suspended by the Stock Exchange for a period of 90 consecutive trading days or listing of the Shares on the Stock Exchange are being revoked or withdrawn; or
- (8) **Insufficient share capital:** save and except where otherwise provided, if there is not a sufficient number of Shares available for the fulfilment of the obligations regarding the conversion of the New Convertible Bonds.

LETTER FROM THE BOARD

Undertakings by the Company:

The Company has covenanted to the Bondholder, among other things, that so long as any New Convertible Bonds remains outstanding:

- (i) it will notify the Bondholders in writing immediately upon becoming aware of the occurrence of any event of default;
- (ii) it will send to the Bondholders as soon as reasonably practicable and in any event within five (5) days after being so requested in writing by any Bondholders a certificate of the Company signed by any two of its directors on behalf of the Company setting out, based on the register of Bondholders maintained by or on behalf of the Company, the total number of New Convertible Bonds which, at the date of such certificate, were held by or on behalf of the Company or its subsidiaries and which had not been cancelled;
- (iii) it will comply with and perform and observe all the provisions of the instrument constituting the New Convertible Bonds which are expressed to be binding on it;
- (iv) upon the exercise of any conversion rights attached to the New Convertible Bonds pursuant to the conditions set out in the instrument constituting New Convertible Bonds, it will allot the number of Shares in respect of which conversion rights are exercised subject to and in accordance with such conditions;
- (v) it will ensure that all Shares allotted pursuant to an exercise of the conversion rights attached to the New Convertible Bonds shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant registration date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares after the relevant registration date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant registration date and notice of the amount and record date for which shall have been given to the Stock Exchange, and the Bondholders prior to the relevant registration date and, for this purpose, the notice to the Bondholders may take the form of sending a copy of the relevant announcement published on the Stock Exchange to them; and

LETTER FROM THE BOARD

- (vi) it will at all times use its reasonable endeavours to ensure that the minimum public shareholding requirement of the Listing Rules is complied with.

Reasons for the Redemption, the Subscriptions and use of proceeds

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.

Reference is made to the announcements of the Company dated 25 April 2017, 10 July 2017 and 22 September 2017, and the circulars of the Company dated 13 June 2017 and 24 July 2017 in relation to the issuance of the Existing Convertible Bonds. As at the Latest Practicable Date, the outstanding principal amount of the Existing Convertible Bonds is HK\$400,000,000 which are convertible into 1,333,333,334 Existing Shares upon full conversion at the initial conversion price of HK\$0.30 per Existing Share (subject to adjustment).

As the conversion price and the number of Existing Shares falling to be issued upon exercise of the Existing Convertible Bonds have to be adjusted as a result of, among others, completion of the Rights Issue in April 2019, the management of the Company approached the Subscribers and started to discuss with them as to their intention of exercising their conversion rights attached to the Existing Convertible Bonds, and the possibility of extending the Existing Convertible Bonds by way of the Redemption and the issuance of the New Convertible Bonds.

Given that (i) the annual results announcement for the year ended 31 March 2019 is expected to be published in late June 2019 and the Directors are not allowed to deal with the Existing Shares during the period of 60 days immediately preceding the publication of the annual results announcement up to the date of publication of the annual results announcement (i.e. from late April 2019 to late June 2019) (the “**Black-out Period**”); (ii) subscription of the New Convertible Bonds by signing the Subscription Agreement is considered as dealings under the Listing Rules and hence not allowed during the Black-out Period; and (iii) as Independent Shareholders’ approval is required for the issuance of the New Convertible Bonds, the estimate time required from preparation of the relevant announcement to Completion will take approximately two months, which if the Subscriptions were to be finalised after the Black-out Period and in the absence of any unforeseen circumstances, the Subscriptions would only be able to be completed in or about early September 2019, that is right before the maturity date of the Existing Convertible Bonds. After considering the time constraint and to avoid possible delay in completion of the Subscriptions which could impact on the Group, the management of the Company considers prudent and reasonable to redeem the Existing Convertible Bonds in April 2019 before the Black-out Period by way of issuance of the New Convertible Bonds.

LETTER FROM THE BOARD

The Directors (not including the independent non-executive Directors who will express their view in the letter from the Independent Board Committee in this circular) consider that the Redemption, the Subscriptions and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, based on the following factors:

(i) Enhancing the Company's financial position

The Convertible Bonds will be due in September 2019. According to the Company's interim report for the six months ended 30 September 2018, the Company recorded bank balances and cash of approximately HK\$2,610 million as at 30 September 2018. Despite that the management of the Company has considered redeeming the Existing Convertible Bonds by way of cash, as at 30 September 2018 and 31 March 2019 (based on the management accounts of the Group), the amount of bank borrowings due within one year was approximately HK\$2,274 million and HK\$2,604 million and that the cash level net of bank borrowings due within one year was less than HK\$400 million, which was insufficient to repay the Existing Convertible Bonds together with interest on the due date. Although the Company has not received any indication from the banks as to the possibility of refinancing its existing borrowings, the management of the Company considers that given that (i) the gearing ratio of the Group, being defined as net debt (representing total bank borrowings net of cash and cash equivalents) to shareholders' funds, increased to approximately 40.0% as at 30 September 2018 from approximately 33.4% as at 31 March 2018; and (ii) approximately HK\$435 million has to be repaid by the end of 2019 as repayment installments together with interest pursuant to the facility agreement dated 12 December 2017 and entered into by the Group and a syndicate of banks, the management of the Company considers that it is a matter of prudent financial management and treasury policy that sufficient cash be maintained by the Group to repay its bank borrowings when they fall due. The management of the Company considers that Redemption by way of issuance of the New Convertible Bonds is a preferred option as (i) textile industry is a working capital industry, sufficient working capital is required for its business operations; (ii) cash of the Group can be maintained for meeting its repayment obligations of the short term bank borrowings; (iii) it will be less time-consuming and more flexible in negotiating treatment of the Existing Convertible Bonds and the terms of the New Convertible Bonds as compared with obtaining financing from banks, which may or may not be available; (iv) apart from the Conversion Price and the number of Shares falling to be issued upon exercise of the conversion rights attached to the New Convertible Bonds, the terms of the New Convertible Bonds are identical to the Existing Convertible Bonds, which has been approved by the Independent Shareholders on 11 August 2017; and (v) the Independent Shareholders are allowed to cast their votes whether to approve the New Convertible Bonds.

LETTER FROM THE BOARD

Based on the management accounts of the Group for the year ended 31 March 2019, the amount of bank borrowings due within one year or less and due over one year was approximately HK\$2,604 million and HK\$2,533 million, respectively. Among the bank borrowings due within one year, approximately HK\$800 million of bank borrowings cannot be refinanced and has to be paid by the end of 2019. The management of the Company would try to negotiate with the relevant banks as to the possibility of refinancing the remaining bank borrowings due within one year. Given the trade-war between the United States and the PRC has escalated with the United States imposing 25% tariffs on approximately US\$250 billion worth of Chinese goods on 10 May 2019, banks have been adopting a more stringent approach for their loan approval process in order to monitor their credit risk and therefore there is no assurance as to whether the remaining bank borrowings due within one year can be refinanced. Accordingly, the management of the Company considers that it is prudent to reserve sufficient cash to repay its bank borrowings due within one year by its existing cash when they fall due.

(ii) Facilitating the Group's business expansion

Reference is made to the prospectus of the Company dated 26 March 2019 (the “**Prospectus**”), the management of the Company is in the process of identifying suitable venue in Cambodia or Bangladesh for the construction of dyed fabric production (the “**Expansion**”). The Redemption enables the Company to be better positioned to seize market opportunities as they arise and reserve more cash for working capital and business expansion.

The Directors (not including the independent non-executive Directors who will express their view in the letter from the Independent Board Committee in this circular) consider that the Redemption, the Subscriptions and transactions contemplated thereunder are appropriate means of reserving sufficient cash for the Company and it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

As disclosed in the Prospectus, it was stated that:

“As at the Latest Practicable Date, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if there shall arise any other potential investment opportunities or any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity and/or fund financing raising exercises to support such future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.” (the “**Statement**”).

LETTER FROM THE BOARD

As at 20 March 2019 (being the latest practicable date for ascertaining the information in the Prospectus), the Directors have considered, among others, the then financial position, the fund raising needs and the concrete business plan of the Group for the next 12 months, and availability of any alternative fund raising methods for the determination of any future corporate actions within 12 months from the Rights Issue in arriving the Statement. As the issue of New Convertible Bonds will not result any additional cash inflow to the Group, the Directors do not consider that the extension of the Existing Convertible Bonds, by way of the Redemption and issuing of the New Convertible Bonds, a fund raising activity but rather a negotiation with the Subscribers to maintain the cash level of the Group for its business. According, the management considers that the Statement is complete, accurate and not misleading.

As at the Latest Practicable Date, save for the issue of the New Convertible Bonds, the Board has no intention or plan (initial or concrete) to conduct other equity fund raising activities in the next 12 months. However, if there shall arise any other potential investment opportunities or any change of the Group's current circumstances or existing business plans and that the cash maintained as a result of the issue of the New Convertible Bonds may not satisfy such upcoming financing needs (including the Expansion or any other expansion of the Group's current production facilities based on the business needs of the Group), the Board does not rule out the possibility that the Company may conduct further equity and/or fund financing raising exercises to support such future developments of the Group. As stated in the Prospectus, the Company was considering constructing its dyed fabric production plant in Cambodia or Bangladesh. As at the Latest Practicable Date, the Company is still in the process of identifying suitable venue for the Expansion. Based on the preliminary assessment of the estimated capital expenditure required, it is expected that approximately HK\$1,050 million will be required, of which (i) approximately HK\$300 million will be used for constructing the production plant; (ii) approximately HK\$350 million will be used for acquiring machineries; (iii) approximately HK\$200 million will be used for constructing a water treatment plant; and (iv) approximately HK\$200 million will be required for constructing a power plant. The estimation was based on the management's experience on the costs of constructing a dyed fabric production plant. The Directors (not including the independent non-executive Directors who will express their view in the letter from the Independent Board Committee in this circular consider) that the Expansion is in the interest of the Group and shareholders as a whole as the costs of production in Cambodia and Bangladesh is lower than that in the PRC, and the advantage of lower import tax for textile products to those customers in Europe and the United States as compared to that of the PRC, thereby increasing the Group's overall competitiveness in capturing more business opportunities from potential customers in Europe and the United States. The net proceeds from the placing of new shares under general mandate completed on 18 January 2018, which amounted to approximately HK\$157.0 million, is expected to be insufficient for the Expansion. Depending on the actual funding needs of the Expansion and the then working capital of the Group, the Company may obtain additional funding through debt or equity fund-raising activities (including but not limited to new issue of shares by way of placing or subscription, or rights issue). As at the Latest Practicable Date, the management of the Company has made several visits to Bangladesh in identifying

LETTER FROM THE BOARD

suitable location and has not made any contacts with contractors for the Expansion. Given the plan for the Expansion is still at its early stage, it is still uncertain when the Expansion will materialise and the funding needs required for the Expansion as at the Latest Practicable Date. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

As at the Latest Practicable Date, the Company confirms that, except for the funding needs of the possible Expansion or any expansion of the Group's current production facilities based on the business needs of the Group, the Company would have sufficient working capital and would not need to carry out further fund raising activities in the next 12 months.

Effect on the shareholding structure

(i) Assuming Share Consolidation does not take place

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon conversion of the New Convertible Bonds up to not more than 30% of the enlarged issued share capital of the Company; and (iii) upon full conversion of the New Convertible Bonds (on the assumptions that the New Convertible Bonds are converted at the initial Conversion Price being HK\$0.106 per Existing Share and there is no other change in the issued share capital of the Company from the Latest Practicable Date to the date of full conversion of the New Convertible Bonds) is as follows:

| | As at the Latest Practicable Date | | Upon conversion of the New Convertible Bonds up to not more than 30% of the enlarged issued share capital of the Company | | Upon full conversion of the New Convertible Bonds | |
|--|-----------------------------------|---------------|--|---------------|---|---------------|
| | Approximate | | Approximate | | Approximate | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| | | (Note 2) | | (Note 2) | | (Note 2) |
| Subscribers and parties acting in concert with either of them | | | | | | |
| Pearl Garden (Note 3) | 1,045,674,000 | 13.46 | 1,212,165,237 | 14.96 | 2,932,466,453 | 25.41 |
| Madian Star (Note 4) | 1,045,674,000 | 13.46 | 1,212,165,237 | 14.96 | 2,932,466,453 | 25.41 |
| Mr. Chen (Note 5) | 5,490,000 | 0.07 | 5,490,000 | 0.07 | 5,490,000 | 0.04 |
| Sub-total | 2,096,838,000 | 26.99 | 2,429,820,474 | 29.99 | 5,870,422,906 | 50.86 |
| Directors | | | | | | |
| Mr. Choi Lin Hung (Note 6) | 21,000,000 | 0.27 | 21,000,000 | 0.26 | 21,000,000 | 0.18 |
| Mr. Phaisalakani Vichai (Note 7) | 3,000,000 | 0.04 | 3,000,000 | 0.04 | 3,000,000 | 0.03 |
| Other public Shareholders | 5,648,281,810 | 72.70 | 5,648,281,810 | 69.71 | 5,648,281,810 | 48.93 |
| Total: | 7,769,119,810 | 100.00 | 8,102,102,284 | 100.00 | 11,542,704,716 | 100.00 |

LETTER FROM THE BOARD

(ii) Assuming Share Consolidation becomes effective after SGM

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon Share Consolidation becomes effective but before conversion of the New Convertible Bonds; (iii) upon Share Consolidation becomes effective and conversion of the New Convertible Bonds up to not more than 30% of the enlarged issued share capital of the Company; and (iv) upon Share Consolidation becomes effective and full conversion of the New Convertible Bonds (on the assumptions that the New Convertible Bonds are converted at the initial Conversion Price being HK\$1.06 per Consolidated Share and there is no other change in the issued share capital of the Company from the Latest Practicable Date to the date of full conversion of the New Convertible Bonds) is as follows:

| | As at the Latest Practicable Date | | Upon Share Consolidation becomes effective but before conversion of the New Convertible Bonds | | Upon Share Consolidation becomes effective and conversion of the New Convertible Bonds up to not more than 30% of the enlarged issued share capital of the Company | | Upon Share Consolidation becomes effective and full conversion of the New Convertible Bonds (Note 1) | |
|--|-----------------------------------|---------------------------|---|---------------------------|--|---------------------------|--|---------------------------|
| | No. of Shares | Approximate % (Note 2) | No. of Shares | Approximate % (Note 2) | No. of Shares | Approximate % (Note 2) | No. of Shares | Approximate % (Note 2) |
| Subscribers and parties acting in concert with either of them | | | | | | | | |
| Pearl Garden (Note 3) | 1,045,674,000 | 13.46 | 104,567,400 | 13.46 | 121,216,523 | 14.96 | 293,246,645 | 25.41 |
| Madian Star (Note 4) | 1,045,674,000 | 13.46 | 104,567,400 | 13.46 | 121,216,523 | 14.96 | 293,246,645 | 25.41 |
| Mr. Chen (Note 5) | 5,490,000 | 0.07 | 549,000 | 0.07 | 549,000 | 0.07 | 549,000 | 0.04 |
| Sub-total | 2,096,838,000 | 26.99 | 209,683,800 | 26.99 | 242,982,046 | 29.99 | 587,042,290 | 50.86 |
| Directors | | | | | | | | |
| Mr. Choi Lin Hung (Note 6) | 21,000,000 | 0.27 | 2,100,000 | 0.27 | 2,100,000 | 0.26 | 2,100,000 | 0.18 |
| Mr. Phaisalakani Vichai (Note 7) | 3,000,000 | 0.04 | 300,000 | 0.04 | 300,000 | 0.04 | 300,000 | 0.03 |
| Other public Shareholders | 5,648,281,810 | 72.70 | 564,828,181 | 72.70 | 564,828,181 | 69.71 | 564,828,181 | 48.93 |
| Total: | 7,769,119,810 | 100.00 | 776,911,981 | 100.00 | 810,210,227 | 100.00 | 1,154,270,471 | 100.00 |

Notes:

- This column is for illustration purpose only as the terms of the New Convertible Bonds provide that no conversion shall take place if the relevant holder of the New Convertible Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued share capital of the Company or otherwise trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.
- Certain percentages above have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM THE BOARD

3. These Shares were held by Pearl Garden. Pearl Garden 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, an executive Director.
4. These Shares were held by Madian Star. Madian Star 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, an executive Director.
5. Mr. Chen is an executive Director and a director of Pearl Garden.
6. Mr. Choi Lin Hung is an executive Director.
7. Mr. Phaisalakani Vichai is an independent non-executive Director.

Fund raising activities in the past twelve-month period

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 the Latest Practicable Date:

| Date of announcement/ prospectus | Event | Net proceeds (approximate) | Intended use of proceeds as announced | Actual use of proceeds |
|---|--------------|-------------------------------|---|--|
| 19 February 2019, 13 March 2019, 26 March 2019 and 17 April 2019 | Rights Issue | HK\$249.3 million | (i) Approximately HK\$100 million for construction of new electron beam waste treatment facilities; (ii) approximately HK\$70 million for construction of a new boiler; and (iii) approximately HK\$79.3 million as general working capital | (i) Approximately HK\$40 million had been used for construction of new electron beam waste treatment facilities; (ii) approximately HK\$70 million had been used for construction of a new boiler; and (iii) approximately HK\$79.3 million had been used as general working capital |

Mandate to issue the Conversion Shares

The Subscription Agreement and the transactions contemplated thereunder, including the issue and allotment of the Conversion Shares under the Specific Mandate of the Company, are subject to the approval of the Independent Shareholders at the SGM.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

LETTER FROM THE BOARD

Implications under the Listing Rules

Pearl Garden (being one of the Subscribers) is a substantial shareholder of the Company, holding 1,045,674,000 Existing Shares (representing approximately 13.46% of the total issued share capital of the Company) as at the Latest Practicable Date. Accordingly, Pearl Garden is a connected person of the Company under Chapter 14A of the Listing Rules.

Madian Star (being one of the Subscribers) is a substantial shareholder of the Company, holding 1,045,674,000 Existing Shares (representing approximately 13.46% of the total issued share capital of the Company) as at the Latest Practicable Date. Accordingly, Madian Star is a connected person of the Company under Chapter 14A of the Listing Rules.

Therefore, the Subscriptions and the transactions contemplated thereunder constitute connected transactions for the Company and subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. Pearl Garden and Madian Star and their respective associates (including Mr. Chen), which in aggregate are interested in 2,096,838,000 Existing Shares (representing approximately 26.99% of the entire issue share capital of the Company) as at the Latest Practicable Date, shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder (including the obtaining of the Specific Mandate).

Mr. Chen and Mr. Li, who are Directors with material interests in the Subscriptions, have abstained from voting on the board resolutions passed to approve the Subscription Agreement and transactions contemplated thereunder.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, has been established to consider the terms of the Subscription Agreements and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Subscription Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscriptions.

LETTER FROM THE BOARD

(4) SGM

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Share Consolidation; (ii) the Subscription Agreement and the transactions contemplated thereunder; (iii) the issue of the Convertible Bonds in accordance with the Subscription Agreement; and (iv) the Specific Mandate under which, upon conversion of the New Convertible Bonds, the Conversion Shares will be issued. The resolutions in relation to the Subscription Agreement and transactions contemplated thereunder at the SGM will be voted on by the Independent Shareholders by way of poll.

Pearl Garden and Madian Star and their respective associates (including Mr. Chen), which in aggregate are interested in 2,096,838,000 Existing Shares (representing approximately 26.99% of the entire issue share capital of the Company) as at the Latest Practicable Date, shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder (including the obtaining of the Specific Mandate).

The notice convening the SGM to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on Friday, 21 June 2019 at 10:00 a.m. is set out on pages 62 to 64 of this circular.

A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM (i.e. 10:00 a.m. on Wednesday, 19 June 2019, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the list of shareholders who are entitled to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 18 June 2019 to Friday, 21 June 2019 (both dates inclusive). No transfer of shares of the Company will be registered during these days. In order to qualify to attend and vote at the SGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 17 June 2019.

LETTER FROM THE BOARD

RECOMMENDATION

(1) The Share Consolidation

The Directors consider that the Share Consolidation is in the interest of the Company and the Shareholders as a whole and so recommend all Shareholders to vote in favour of the resolution approving the Share Consolidation at the SGM.

(2) The Subscription Agreement

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation from the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscription Agreement and transactions contemplated thereunder; and (ii) the letter from Gram Capital which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription Agreement, and transactions contemplated thereunder.

The Board including the Independent Board Committee after taking the advice of Gram Capital considers (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Subscriptions are not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole, and recommends that the Independent Shareholders vote in favour of the resolutions relating to the Subscription Agreement and transactions contemplated thereunder at the SGM.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendix to this circular and the notice of the SGM.

Warnings: The Subscriptions are subject to the fulfilment or waiver (as the case may be) of a number of conditions, including but not limited to approval of the Subscriptions by the Independent Shareholders at the SGM. As such, the Subscriptions may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours faithfully
For and on behalf of the Board
Victory City International Holdings Limited
Li Ming Hung
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Subscription Agreement and transactions contemplated thereunder, for the purpose of inclusion in this circular.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

5 June 2019

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION: REDEMPTION OF EXISTING CONVERTIBLE BONDS BY WAY OF ISSUANCE OF NEW CONVERTIBLE BONDS

We refer to the circular issued by the Company dated 5 June 2019 (the “**Circular**”) to the Shareholders of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders in respect of the terms of the Subscription Agreement and transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. Gram Capital has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons from Gram Capital has taken into consideration in giving such advice, are set out in the “Letter from Gram Capital” in the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information as set out in the appendix thereto.

After taking the advice of Gram Capital as set out in the letter from Gram Capital, we consider that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Subscriptions are not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole, and recommends that the Independent Shareholders vote in favour of the resolutions relating to the Subscription Agreement and transactions contemplated thereunder at the SGM.

* *for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, therefore, recommend that you vote in favour of the resolutions relating to the Subscription Agreement and transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

Kan Ka Hon
*Independent non-executive
Director*

Phaisalakani Vichai
*Independent non-executive
Director*

Kwok Sze Chi
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Extension for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

5 June 2019

*To: The independent board committee and the independent shareholders
of Victory City International Holdings Limited*

Dear Sir/Madam,

CONNECTED TRANSACTION: REDEMPTION OF EXISTING CONVERTIBLE BONDS BY WAY OF ISSUANCE OF NEW CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of Subscriptions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 5 June 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 26 April 2019 (after trading hours), the Company served and the Subscribers accepted, the Redemption Notice in relation to the redemption of the Existing Convertible Bonds in the principal amount of HK\$400,000,000 by way of issuance of the New Convertible Bonds in an aggregate principal amount of HK\$400,000,000 to the Subscribers pursuant to the Subscription Agreement.

Accordingly, on the same date, the Company entered into the Subscription Agreement with the Subscribers in relation to, among others, the issue of the New Convertible Bonds in an aggregate principal amount of HK\$400,000,000 due on the date falling two years (which can, by agreement between the Bondholders and the Company, be extended to five years) after the date of issuance of the New Convertible Bonds.

With reference to the Board Letter, the Subscribers are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the Subscriptions and the transactions contemplated thereunder constitute connected transactions for the Company and subject to the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscriptions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Subscriptions at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscriptions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility for the information contained therein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscribers or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscriptions. Our opinion is necessarily based on the financial, economic, market and

LETTER FROM GRAM CAPITAL

other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscriptions, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Subscriptions

Information on the Group

With reference to the Board Letter, 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.

LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial information of the Group for the two years ended 31 March 2018 and the six months ended 30 September 2018 as extracted from the Company's annual report for the year ended 31 March 2018 (the "2018 Annual Report") and interim report for the six months ended 30 September 2018 (the "2018 Interim Report"):

| | For the six months ended 30 September 2018 | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|--|---|---|---|
| | <i>HK\$'000</i> (unaudited) | <i>HK\$'000</i> (audited) | <i>HK\$'000</i> (audited) |
| Revenue | 2,724,508 | 4,960,298 | 4,939,904 |
| Gross profit | 487,238 | 868,405 | 841,433 |
| Profit for the period/year attributable to owners of the Company | 136,999 | 330,131 | 135,526 |
| | As at 30 September 2018 | As at 31 March 2018 | As at 31 March 2017 |
| | <i>HK\$'000</i> (unaudited) | <i>HK\$'000</i> (audited) | <i>HK\$'000</i> (audited) |
| Bank balances and cash | 2,609,600 | 2,800,895 | 2,725,090 |
| Bank borrowings — amount due within one year | 2,273,910 | 2,304,847 | 2,759,445 |
| Bank borrowings — amount due after one year | 2,828,197 | 2,872,458 | 2,292,621 |

As shown in the table above, there was no material change in the Group's revenue and gross profit for the year ended 31 March 2018 ("FY2018") as compared to the year ended 31 March 2017 ("FY2017"). The profit attributable to owners of the Company for FY2018 increased substantially by approximately 144% as compared to FY2017. With reference to the 2018 Annual Report, the aforesaid increase was mainly due to other gains of approximately HK\$92 million recorded in FY2018 as compared to other losses of HK\$127 million recorded in FY2017 (both are mainly consist of net gain/loss on fair value change of derivative financial instruments).

As at 30 September 2018, the Group's bank balances and cash amounted to approximately HK\$2.61 billion. Nevertheless, the Group had bank borrowings due within one year of approximately HK\$2.27 billion and bank borrowings due after one year of approximately HK\$2.83 billion.

LETTER FROM GRAM CAPITAL

With reference to the 2018 Interim Report, the Group is prudently optimistic about its performance as the order book and production capacity continue to remain promising while cotton price has been stabilized. The Directors will closely monitor the operating environment to take necessary business measures. The Group is actively planning for a new fabric production site outside the PRC for potential expansion as well as risk diversification. The Group will continue to strengthen the competitiveness of its vertically integrated business foundation. In the backdrop of having a handful of market opportunities ahead, the Group will endeavor to achieve sustainability and stability of its business so as to secure the best interest of its Shareholders.

Information on the Subscribers

With reference to the Board Letter, Pearl Garden is an investment holding company incorporated in the BVI whose issued share capital is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li's family members. As at the Latest Practicable Date, Pearl Garden is a substantial Shareholder of the Company and, accordingly, Pearl Garden is a connected person under the Listing Rules.

With reference to the Board Letter, Madian Star is an investment holding company incorporated in the BVI whose issued share capital is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen's family members. As at the Latest Practicable Date, Madian Star is a substantial Shareholder of the Company and, accordingly, Madian Star is a connected person under the Listing Rules.

Reasons for and benefits of the proposed Extension

The Existing Convertible Bonds would mature on 23 September 2019. On 26 April 2019 (after trading hours), the Company served and the Subscribers accepted, the Redemption Notice in relation to the redemption of the Existing Convertible Bonds in the principal amount of HK\$400,000,000 by way of issuance of the New Convertible Bonds in an aggregate principal amount of HK\$400,000,000 to the Subscribers pursuant to the Subscription Agreement.

Accordingly, on the same date, the Company entered into the Subscription Agreement with the Subscribers in relation to, among others, the issue of the New Convertible Bonds in an aggregate principal amount of HK\$400,000,000 due on the date falling two years (which can, by agreement between the Bondholders and the Company, be extended to five years) after the date of issuance of the New Convertible Bonds.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, as the conversion price and the number of Existing Shares falling to be issued upon exercise of the Existing Convertible Bonds have to be adjusted as a result of, among others, completion of the Rights Issue in April 2019, the management of the Company approached the Subscribers and started to discuss with them as to their intention of exercising their conversion rights attached to the Existing Convertible Bonds, and the possibility of extending the Existing Convertible Bonds by way of the Redemption and the issuance of the New Convertible Bonds.

With reference to the Board Letter, should the Subscriptions were to be finalised after the Black-out Period (i.e. from late April 2019 to late June 2019) and in the absence of any unforeseen circumstances, the Subscriptions would only be able to be completed in or about early September 2019, that is right before the maturity date of the Existing Convertible Bonds. After considering the time constraint and to avoid possible delay in completion of the Subscriptions which could impact on the Group, the management of the Company considers prudent and reasonable to redeem the Existing Convertible Bonds in April 2019 before the Black-out Period by way of issuance of the New Convertible Bonds.

With reference to the Board Letter, the Directors (not including the independent non-executive Directors who will express their view in the letter from the Independent Board Committee in the Circular) consider that the Redemption, the Subscriptions and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, based on the following two factors, namely (i) enhancing the Company's financial position; and (ii) facilitating the Group's business expansion (details of which are set out under the section headed "Reasons for the Redemption, the Subscriptions and use of proceeds" of the Board Letter.

The Directors (not including the independent non-executive Directors who will express their view in the letter from the Independent Board Committee in the Circular) consider that the Redemption, the Subscriptions and transactions contemplated thereunder are appropriate means of reserving sufficient cash for the Company and it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

As aforementioned, the Group's bank balances and cash amounted to approximately HK\$2.61 billion as at 30 September 2018. Nevertheless, the Group had bank borrowings due within one year of approximately HK\$2.27 billion and bank borrowings due after one year of approximately HK\$2.83 billion. With reference to the Board Letter and as confirmed by the Directors, the Company has not received any indication from the banks as to the possibility of refinancing its existing borrowings. Given that (i) the Group's gearing ratio increased to approximately 40.0% as at 30 September 2018 from approximately 33.4% as at 31 March 2018; and (ii) approximately HK\$435 million has to be repaid by the end of 2019 as repayment instalments together with interest under the facility agreement

LETTER FROM GRAM CAPITAL

dated 12 December 2017 entered into by the Group and a syndicate of banks, the management of the Company considers that it is a matter of prudent financial management and treasury policy for sufficient cash be maintained by the Group to repay its bank borrowings when they fall due (i.e. redeeming the Existing Convertible Bond by way of cash is not preferable). Having considered the above, we consider that it is to the Company's benefit to retain more cash for its repayment obligations and working capital requirements.

With reference to the Board Letter, the management of the Company considers that Redemption by way of issuance of the New Convertible Bonds is a preferred option as (i) textile industry is a working capital industry, sufficient working capital is required for its business operations; (ii) the Group's cash can be maintained for meeting its repayment obligations of the short term bank borrowings; (iii) it will be less time-consuming and more flexible in negotiating treatment of the Existing Convertible Bonds and the terms of the New Convertible Bonds as compared with obtaining financing from banks, which may or may not be available; (iv) apart from the Conversion Price and the number of Shares falling to be issued upon exercise of the conversion rights attached to the New Convertible Bonds, the principal terms of the New Convertible Bonds are identical to the Existing Convertible Bonds, which were approved by the Independent Shareholders on 11 August 2017; and (v) the Independent Shareholders are allowed to cast their votes whether to approve the New Convertible Bonds.

With reference to the Board Letter, the management of the Company is in the process of identifying suitable venue in Cambodia or Bangladesh for the construction of dyed fabric production. For our due diligence purpose, we obtained the preliminary budgeting from the Company and noted the preliminary estimated cost of the aforesaid construction. It is reasonable to retain more liquid financial resources for the Group's business operations and development.

Having considered the above, we are of the view that although the Subscriptions are not in the ordinary and usual course of business of the Company, it is in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Subscription Agreement and the New Convertible Bonds

A summary of the principal terms of the Subscription Agreement is set out below:

Date: 26 April 2019

Parties: The Company (as issuer)
Pearl Garden (as Subscribers)
Madian Star (as Subscribers)

LETTER FROM GRAM CAPITAL

The New Convertible Bonds will be subscribed by Pearl Garden as to HK\$200,000,000 and Madian Star as to HK\$200,000,000.

The principal terms of the New Convertible Bonds were arrived at after arm's length negotiations between the Company and the Subscribers and are summarised as follows:

| | |
|-------------------|--|
| Issuer: | The Company |
| Principal amount: | HK\$400,000,000 |
| Issue price: | 100% of the principal amount of the New Convertible Bonds |
| Interest rate: | 5% per annum on the outstanding principal amount of the New Convertible Bonds, which shall be payable in arrears on 30 June and 31 December of each year from the Issue Date until the Maturity Date. |
| Maturity Date: | The date falling two years (which can, by agreement between the Bondholders and the Company, be extended to five years) after the Issue Date or, if that is not a Business Day, the first Business Day thereafter. |
| Conversion Price: | The Conversion Price is initially HK\$0.106 per Existing Share (or HK\$1.06 per Consolidated Share, assuming the Share Consolidation becoming effective), subject to adjustment. |

Comparison of Conversion Price with historical Share price

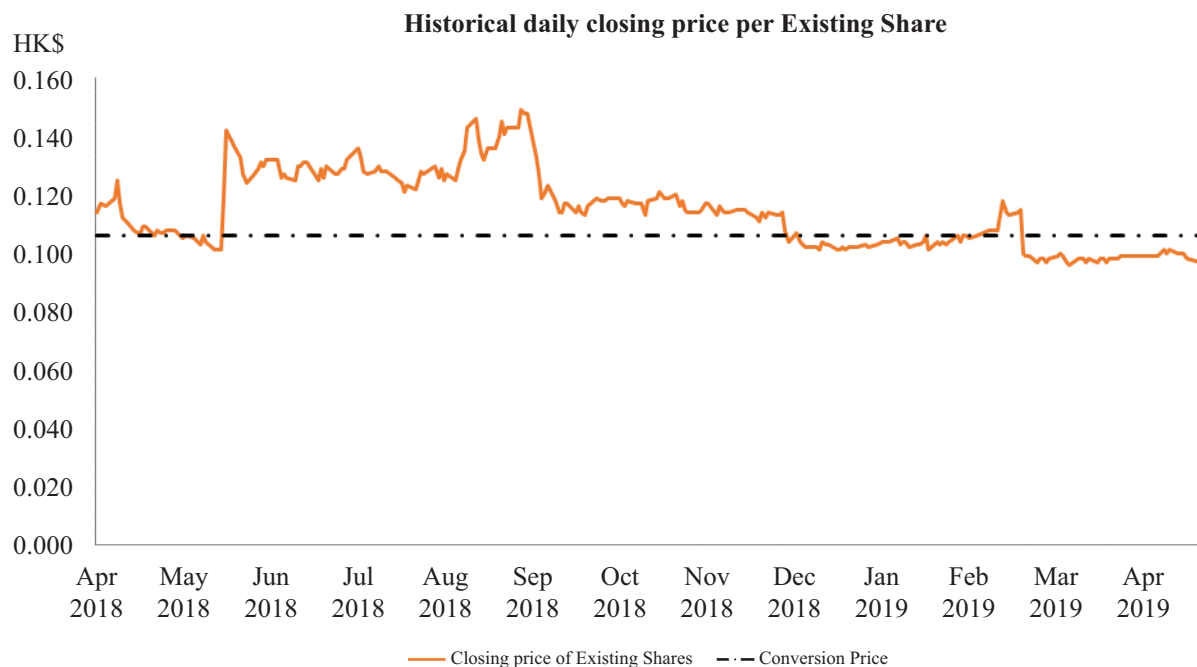
The Conversion Price of HK\$0.106 per Conversion Share represents:

- (a) a premium of approximately 49.30% over the closing price per Share of HK\$0.071 as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 10.42% over the closing price of the Existing Shares of HK\$0.096 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 9.50% over the average closing price of the Existing Shares of approximately HK\$0.0968 per Existing Share based on the closing prices of the Existing Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

LETTER FROM GRAM CAPITAL

- (d) a premium of approximately 7.61% over the average closing price of the Existing Shares of approximately HK\$0.0985 per Existing Share based on the closing prices of the Existing Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (e) a discount of approximately 86.91% (the “**Discount to NAV per Existing Share**”) to the unaudited net asset value per Existing Share of approximately HK\$0.81 (the “**NAV per Existing Share**”) (based on the latest published consolidated net asset value of the Group of approximately HK\$6,267,605,000 as at 30 September 2018 as disclosed in the interim report of the Company for the six months ended 30 September 2018 and 7,769,119,810 Existing Shares in issue as at the Latest Practicable Date).

In order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of the Existing Shares as quoted on the Stock Exchange from 1 April 2018 up to and including 26 April 2019 (i.e. the Last Trading Day) (the “**Review Period**”), being a period of approximately one year prior to and including the Last Trading Day. The comparison of daily closing prices of the Existing Shares and the Conversion Price is illustrated as follows:



Source: the Stock Exchange's website

LETTER FROM GRAM CAPITAL

During the Review Period, the highest and lowest closing prices of the Existing Shares as quoted on the Stock Exchange were HK\$0.149 recorded on 29 August 2018 and HK\$0.096 per Existing Share recorded on 8 March 2019, 24 April 2019 and 26 April 2019.

The closing price of the Existing Share dropped from HK\$0.125 as at 10 April 2018 to HK\$0.101 as at 14 May 2018. Subsequently, it rebounded to HK\$0.142 as at 18 May 2018. After a few months of fluctuation, the closing price of the Existing Share dropped from HK\$0.149 as at 29 August 2018 to HK\$0.123 as at 7 September 2018 and formed a general sliding trend thereafter (except for a rebound in February 2019).

The Conversion Price of HK\$0.106 is within the daily closing prices of the Existing Shares as quoted on the Stock Exchange during the entire Review Period. It was also higher than the daily closing prices of the Existing Shares as quoted on the Stock Exchange from 20 February 2019 up to the Last Trading Day. The highest and lowest closing prices of the Existing Shares as quoted on the Stock Exchange of HK\$0.149 and HK\$0.096 per Existing Share during the Review Period represented discount of approximately 82% and 88% respectively to the NAV per Existing Share. The Discount to NAV per Existing Share is within the above range.

Comparison with other convertible bonds/notes

As part of our analysis, we also identified placing/subscription of convertible bonds (the “**CB Comparables**”) which were announced by listed companies in Hong Kong from 1 February 2019 up to 26 April 2019 (i.e. the Last Trading Day), being an approximate three months period prior to and including the Last Trading Day. To the best of our knowledge and as far as we are aware of, we found 10 transactions which met the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the CB Comparables.

LETTER FROM GRAM CAPITAL

| Company name (stock code) | Date of announcement | Maturity | Interest rate per annum (%) | Premium of the conversion price over the closing price per share on/ prior to the date of agreement |
|--|--------------------------------|---|------------------------------------|--|
| Sinco Pharmaceuticals Holdings Limited (6833) | 4 February 2019 | 1.5 years | 6 | 22.00 |
| IBO Technology Company Limited (2708) | 17 February 2019 | 3 years | 7.5 | Nil |
| China Finance Investment Holdings Limited (875) | 4 March 2019 | 1 year | 5 | 5.06 |
| Millennium Pacific Group Holdings Limited (8147) | 5 March 2019 | 2 years | 4 | 9.76 |
| China Gem Holdings Limited (1191) | 11 March 2019 | 3 years | 8 | 2.94 |
| Kiu Hung International Holdings Limited (381) | 20 March 2019 | 5 years | 6 | 1,349.00 |
| Petro-king Oilfield Services Limited (2178) | 21 March 2019 | 26 months (Note 1) | 10 | 15.20 |
| China Education Group Holdings Limited (839) | 22 March 2019 | 5 (Note 2) | 2 | 30.00 |
| China NT Pharma Group Company Limited (1011) | 1 April 2019 & 2 April 2019 | 3 years | 5 | 19.68 |
| Jiyi Household International Holdings Limited (1495) | 22 April 2019 | 1.5 years (can be extended for 0.5 year) | 6 | 1.00 |
| Maximum | | | 10 | 1,349.00 |
| Maximum (excluding outliers) | | | N/A | 30.00 |
| Minimum | | | 2 | Nil |
| Average | | | 5.95 | 145.46 |
| Average (excluding outliers) | | | N/A | 11.74 |
| The Company | 26 April 2019 | 2 years (can be extended to 5 years) | 5 | 10.42 |

Source: the Stock Exchange's website

Notes:

1. The maturity date is 23 May 2021.
2. The maturity date is 28 March 2024.

LETTER FROM GRAM CAPITAL

i. Conversion price

As illustrated from the table above, we noted that the conversion prices of the CB Comparables (excluding Kiu Hung International Holdings Limited (Stock code: 381) which is considered to be an outlier as it has conversion price representing exceptional high premium over its closing price per share on the date of agreement that may produce an anomalous result to our analysis) represents premium of nil to approximately 30.00% (with an average of approximately 11.74%) to over the respective closing prices of their shares on/prior to the date of agreement. The premium of the Conversion Price of the Convertible Bonds over the closing price of the Existing Share on the Last Trading Day is close to the average of the CB Comparables and falls within the aforesaid market range. Also given that the Conversion Price is (i) within the daily closing prices of the Existing Shares as quoted on the Stock Exchange during the entire Review Period; and (ii) higher than the daily closing prices of the Existing Shares as quoted on the Stock Exchange from 20 February 2019 up to the Last Trading Day, we are of the opinion that the Conversion Price to be justifiable.

ii. Interest rate

As shown in the table above, the interest rates of the CB Comparables ranged from 2% to 10% per annum with an average interest rate of approximately 5.95% per annum. The interest rate of the Convertible Bonds is below the average of the CB Comparables and falls within the aforesaid market range. Accordingly, we consider that the interest rate of the Convertible Bonds to be justifiable.

Taking into account the principal terms of the Convertible Bonds as highlighted above, we are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

3. Possible dilution effect on the shareholding interests of the public Shareholders

With reference to the shareholding table in the section headed “Effect on the shareholding structure” of the Board Letter, the shareholding interests of the existing public Shareholders would be diluted by approximately 23.77 percentage point (the “**Dilution**”) immediately after conversion of the whole principal amount of the Convertible Bonds by the Subscribers (as the Conversion Price represented premium over (a) the closing price of the Existing Shares on the Last Trading Day; and (b) the average closing price of the Existing Shares for the five consecutive trading days up to and including the Last Trading Day, conversion of the whole principal amount of the Convertible Bonds by the Subscribers will not have value dilution impact based on the aforesaid prices). Taking into account (i) the aforementioned reasons for the Subscriptions; and (ii) the terms of the Subscription Agreement being fair and reasonable, we are of the view that the Dilution is justifiable.

RECOMMENDATION

Having taken into consideration of the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Subscriptions are not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Subscriptions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

(a) Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or is deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

| Name of Director | The Company/ name of associated corporation | Capacity | Interest in shares (Note 1) | Interest in underlying of share options (Note 1) | Approximate % of the relevant class of issued share capital of the Company/ associated corporation |
|------------------|--|-----------------------|---|--|--|
| Mr. Li | The Company | Founder of a trust | 3,599,133,120 Existing Shares (L) (Notes 2, 4 and 5) | — | 46.33% |
| | The Company | Beneficial owner | — | 400,000 Existing Shares (L) (Note 6) | 0.01% |
| | Victory City Company Limited (Note 16) | Beneficial owner | 4,000,000 non-voting deferred shares of HK\$1.00 each (L) | — | 50% |

| Name of Director | The Company/ name of associated corporation | Capacity | Interest in shares (Note 1) | Interest in underlying of share options (Note 1) | Approximate % of the relevant class of issued share capital of the Company/ associated corporation |
|------------------------|--|--------------------|--|--|--|
| | Victory City Overseas Limited (Note 16) | Beneficial owner | 1,300 redeemable non-voting preference shares of US\$1.00 each (L) | — | 39.4% |
| Mr. Chen | The Company | Founder of a trust | 3,599,133,120 Existing Shares (L) (Notes 3, 4 and 5) | — | 46.33% |
| | The Company | Beneficial owner | 5,490,000 Existing Shares (L) | — | 0.07% |
| | The Company | Beneficial owner | — | 400,000 Existing Shares (L) (Note 6) | 0.01% |
| | Victory City Company Limited (Note 16) | Beneficial owner | 4,000,000 non-voting deferred shares of HK\$1.00 each (L) | — | 50% |
| | Victory City Overseas Limited (Note 16) | Beneficial owner | 1,300 redeemable non-voting preference shares of US\$1.00 each (L) | — | 39.4% |
| Mr. Lee Yuen Chiu Andy | The Company | Beneficial owner | — | 5,000,000 Existing Shares (L) (Note 6) | 0.06% |
| Mr. Choi | The Company | Beneficial owner | 21,000,000 Existing Shares (L) | — | 0.27% |
| | The Company | Beneficial owner | — | 50,000,000 Existing Shares (L) (Notes 6 and 7) | 0.64% |
| | Victory City Overseas Limited (Note 16) | Beneficial owner | 700 redeemable non-voting preference shares of US\$1.00 each (L) | — | 21.2% |

| Name of Director | The Company/ name of associated corporation | Capacity | Interest in shares (Note 1) | Interest in underlying of share options (Note 1) | Approximate % of the relevant class of issued share capital of the Company/ associated corporation |
|------------------|--|------------------------------------|---|--|--|
| | Sure Strategy Limited (Note 16) | Interest of controlled corporation | 49 ordinary shares of US\$1.00 each (L) (Note 8) | — | 49% |
| | Ford Glory Holdings Limited (Note 16) | Interest of controlled corporation | 100 ordinary shares of US\$1.00 each (L) (Note 9) | — | 100% |
| | Ford Glory International Limited (Note 16) | Interest of controlled corporation | 5,000,000 ordinary shares of HK\$1.00 each (L) (Note 15) | — | 100% |
| | 福之源貿易(上海)有限公司 (Note 16) | Interest of controlled corporation | Registered capital of RMB1,000,000 (L) (Note 10) | — | 100% |
| | Rocwide Limited (Note 16) | Interest of controlled corporation | 10 ordinary shares of US\$1.00 each (L) (Note 15) | — | 100% |
| | Jiangmen V-Apparel Manufacturing Ltd. (Note 16) | Interest of controlled corporation | Registered capital of HK\$31,260,000 (L) (Note 11) | — | 100% |
| | One Sino Limited (Note 16) | Interest of controlled corporation | 100 ordinary shares of US\$1.00 each (L) (Note 15) | — | 100% |
| | Ford Glory (Cambodia) Manufacturing Limited (Note 16) | Interest of controlled corporation | Registered capital of US\$1,000,000 (L) (Note 12) | — | 100% |

| Name of Director | The Company/ name of associated corporation | Capacity | Interest in shares (Note 1) | Interest in underlying of share options (Note 1) | Approximate % of the relevant class of issued share capital of the Company/ associated corporation |
|------------------|--|------------------------------------|---|--|--|
| | Happy Noble Holdings Limited (Note 16) | Interest of controlled corporation | 70 ordinary shares of US\$1.00 each (L) (Note 15) | — | 70% |
| | Sky Winner Investment Limited (Note 16) | Interest of controlled corporation | 100 ordinary shares of HK\$1.00 each (L) (Note 13) | — | 100% |
| | Mayer Apparel Limited (Note 16) | Interest of controlled corporation | 51 ordinary shares of HK\$1.00 each (L) (Note 15) | — | 51% |
| | Talent Partner Holdings Limited (Note 16) | Interest of controlled corporation | 51 ordinary shares of US\$1.00 each (L) (Note 15) | — | 51% |
| | Green Expert Global Limited (Note 16) | Interest of controlled corporation | 1 ordinary share of US\$1.00 each (L) (Note 14) | — | 100% |
| | Major Time Limited (Note 16) | Interest of controlled corporation | 1 ordinary share of HK\$1.00 each (L) (Note 14) | — | 100% |
| | Brilliant Fashion Inc. (Note 16) | Interest of controlled corporation | 100 common shares of no par value (L) (Note 15) | — | 100% |
| | Gojifashion Inc. (Note 17) | Interest of controlled corporation | 100 common shares of no par value (L) (Note 15) | — | 50% |
| | Just Perfect Holdings Limited (Note 16) | Interest of controlled corporation | 10 ordinary shares of US\$1.00 each (L) (Note 15) | — | 100% |

| Name of Director | The Company/ name of associated corporation | Capacity | Interest in shares (Note 1) | Interest in underlying of share options (Note 1) | Approximate % of the relevant class of issued share capital of the Company/ associated corporation |
|----------------------------|---|--|---|--|--|
| | Value Plus (Macao Commercial Offshore) Limited (Note 16) | Interest of controlled corporation | Quota capital of MOP100,000 (L) (Note 15) | — | 100% |
| Mr. Phaisalakani Vichai | The Company | Beneficial owner | 3,000,000 Existing Shares (L) | — | 0.04% |

Notes:

- The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporations.
- These Existing Shares were held by Pearl Garden. Pearl Garden is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li’s family members. These Existing Shares include (i) 1,045,674,000 Existing Shares held by Pearl Garden; (ii) 666,666,667 Existing Shares to be issued upon full exercise of the conversion rights attached to the Existing Convertible Bonds to be issued to Pearl Garden on 22 September 2017 at an initial conversion price of HK\$0.30 per Existing Share (subject to adjustment); and (iii) 1,886,792,453 Existing Shares to be issued upon full exercise of the conversion rights attached to the New Convertible Bonds to be issued to Pearl Garden at an initial conversion price of HK\$0.106 per Existing Share (subject to adjustment), subject to Completion.
- These Existing Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen’s family members. These Existing Shares include (i) 1,045,674,000 Existing Shares held by Madian Star; and (ii) 666,666,667 Existing Shares to be issued upon full exercise of the conversion rights attached to the Existing Convertible Bonds to be issued to Madian Star on 22 September 2017 at an initial conversion price of HK\$0.30 per Existing Share; and (iii) 1,886,792,453 Existing Shares to be issued upon full exercise of the conversion rights attached to the New Convertible Bonds to be issued to Madian Star at an initial Conversion Price of HK\$0.106 per Existing Share (subject to adjustment), subject to Completion.
- On 22 September 2017, the Company issued the Existing Convertible Bonds to each of Pearl Garden and Madian Star with a principal sum of HK\$200,000,000 and HK\$200,000,000 respectively for a term of two years. Each of Pearl Garden and Madian Star has the right to convert its portion of the Existing Convertible Bonds for 666,666,667 Existing Shares at an initial conversion price for HK\$0.30 per Existing Share (subject to adjustment) upon full exercise of its conversion rights.

5. On 26 April 2019, the Company entered into the Subscription Agreement with the Subscribers pursuant to which the Company has conditionally agreed to issue, and each of Pearl Garden and Madian Star has conditionally agreed to subscribe for, the New Convertible Bonds with a principal sum of HK\$200,000,000 and HK\$200,000,000 respectively for a term of two years (extendable to five years by agreement) in consideration for the Redemption, subject to Completion. Upon Completion, each of Pearl Garden and Madian Star has the right to convert its portion of the New Convertible Bonds for 1,886,792,453 Existing Shares at an initial Conversion Price for HK\$0.106 per Existing Share (subject to adjustment) upon full exercise of its conversion rights.
6. On 18 April 2019, each of Mr. Li, Mr. Chen, Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung was granted 400,000, 400,000, 5,000,000 and 34,225,047 Share Options, exercisable at a price of HK\$0.1002 per Existing Share during a period from 18 April 2019 to 17 April 2024.
7. On 12 October 2016, Mr. Choi Lin Hung was granted 15,000,000 Share Options, exercisable at a price of HK\$0.391 per Existing Share during a period from 12 October 2016 to 11 October 2021. Upon completion of the rights issues on 6 January 2017 and 18 April 2019, the number of Share Options owned by Mr. Choi Lin Hung was adjusted to 15,774,953, exercisable at an adjusted price of HK\$0.372 per Existing Share during a period from 12 October 2016 to 11 October 2021.
8. These shares were held by Merlotte Enterprise Limited. Sure Strategy Limited was owned as to 49% by Merlotte Enterprise Limited, a company wholly owned by Mr. Choi Lin Hung, and as to 51% owned by Victory City Investments Limited, a wholly-owned subsidiary of the Company.
9. These ordinary shares were held by Sure Strategy Limited.
10. This registered capital was beneficially owned by Ford Glory International Limited which is a wholly-owned subsidiary of Ford Glory Holdings Limited.
11. The registered capital was beneficially owned as to 40% by Ford Glory Holdings Limited and as to 60% by Rocwide Limited.
12. This registered capital was held by One Sino Limited.
13. These shares were held by Happy Noble Holdings Limited.
14. This ordinary share was beneficially owned by Talent Partner Holdings Limited.
15. These shares or these common shares or this quota capital, as the case may be, was/were beneficially owned by Ford Glory Holdings Limited.
16. These companies are subsidiaries of the Company.
17. Although Gojifashion Inc. is not a subsidiary of the Company, it is an associated corporation (within the meaning of Part XV of the SFO) of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have

under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

(b) Substantial shareholders and other persons' interests and short positions in Existing Shares and underlying Existing Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and chief executive of the Company) had an interest or short position in the Existing Shares and/or underlying Existing Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of person/entity | Number of Existing Shares (Note 1) | Capacity | Approximate % of interest |
|----------------------------------|---------------------------------------|--|---------------------------|
| Pearl Garden | 3,599,133,120 (L) | Beneficial owner (Note 2) | 46.33% |
| Cornice Worldwide Limited | 3,599,133,120 (L) | Interest of controlled corporation (Note 2) | 46.33% |
| Madian Star | 3,599,133,120 (L) | Beneficial owner (Note 3) | 46.33% |
| Yonice Limited | 3,599,133,120 (L) | Interest of controlled corporation (Note 3) | 46.33% |
| Fiducia Suisse SA | 7,198,266,240 (L) | Trustee (Notes 2 and 3) | 92.66% |
| Mr. David Henry Christopher Hill | 7,198,266,240 (L) | Interest of controlled corporation (Note 6) | 92.66% |
| Ms. Rebecca Ann Hill | 7,198,266,240 (L) | Interest of spouse (Note 7) | 92.66% |
| Ms. Ho Yuen Mui Shirley | 3,599,533,120 (L) | Interest of spouse (Note 4) | 46.33% |
| Ms. Or Kwai Ying | 3,605,023,120 (L) | Interest of spouse (Note 5) | 46.40% |

Notes:

1. The letter “L” represents the person’s or entity’s interests in the Existing Shares and underlying Existing Shares.
2. These Existing Shares were held by Pearl Garden. Pearl Garden is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li’s family members. Mr. Chen is a director of Pearl Garden and Cornice Worldwide Limited. These Existing Shares include (i) 1,045,674,000 Existing Shares held by Pearl Garden; (ii) 666,666,667 Existing Shares to be issued upon full exercise of the conversion rights attached to the Existing Convertible Bonds to be issued to Pearl Garden on 22 September 2017 at an initial conversion price of HK\$0.30 per Existing Share (subject to adjustment); and (iii) 1,886,792,453 Existing Shares to be issued upon full exercise of the conversion rights attached to the New Convertible Bonds to be issued to Pearl Garden at an initial Conversion Price of HK\$0.106 per Existing Share (subject to adjustment), subject to Completion.
3. These Existing Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen’s family members. Mr. Li is a director of Madian Star and Yonice Limited. These Existing Shares include (i) 1,045,674,000 Existing Shares held by Madian Star; (ii) 666,666,667 Existing Shares to be issued upon full exercise of the conversion rights attached to the Existing Convertible Bonds to be issued to Madian Star on 22 September 2017 at an initial conversion price of HK\$0.30 per Existing Share (subject to adjustment); and (iii) 1,886,792,453 Existing Shares to be issued upon full exercise of the conversion rights attached to the New Convertible Bonds to be issued to Madian Star at an initial Conversion Price of HK\$0.106 per Existing Share (subject to adjustment), subject to Completion.
4. Ms. Ho Yuen Mui Shirley is the wife of Mr. Li.
5. Ms. Or Kwai Ying is the wife of Mr. Chen.
6. These Existing Shares were held by Fiducia Suisse SA as discretionary trustee for Mr. Li’s family members and Mr. Chen’s family members. Fiducia Suisse SA is wholly owned by Mr. David Henry Christopher Hill.
7. Ms. Rebecca Ann Hill is the wife of Mr. David Henry Christopher Hill.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no person (other than a Director or chief executive of the Company) who had an interest or a short position in the Existing Shares and/or underlying Existing Shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or their respective close associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest within the Group.

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Company were made up.

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, had been entered by members of the Group after the date falling two years prior to the issue of this Circular and up to the Latest Practicable Date and which are or may be material:

- (i) the subscription agreement dated 25 April 2017 and entered into between the Company as the issuer, and Pearl Garden and Madian Star as subscribers, in respect of the issue of the Existing Convertible Bonds of an aggregate principal amount of HK\$400,000,000;
- (ii) the supplemental deed dated 10 July 2017 and entered into between the Company, Pearl Garden and Madian Star to change the conversion period of the Existing Convertible Bonds;

- (iii) the placing agreement dated 28 December 2017 and entered into between the Company and Kingston Securities Limited as placing agent, in respect of the placing of up to 838,000,000 new shares at placing price of HK\$0.190 per placing share to not less than six places who are independent of the Company and its connected persons;
- (iv) the underwriting agreement dated 19 February 2019 entered into between the Company and Get Nice Securities Limited in relation to the underwriting arrangement in respect of the Rights Issue; and
- (v) the Subscription Agreement.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. QUALIFICATIONS AND CONSENT OF EXPERT

The following sets out the qualifications of the expert who has given its opinions or advice as contained in this circular:

| Name | Qualification |
|----------------------|--|
| Gram Capital Limited | A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO |

As at the Latest Practicable Date, Gram Capital did not have any shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, Gram Capital had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 March 2018 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

Gram Capital had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

9. MISCELLANEOUS

- (i) The registered office of the Company is at Clarendon House, Church Street, Hamilton, HM11, Bermuda.
- (ii) The branch share registrar of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The company secretary of the Company is Mr. Lee Chung Shing, an associate member of the Chartered Institute of Management Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (iv) The English text of this Circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this Circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Redemption Notices;
- (c) the Subscription Agreement;
- (d) the written consent of expert referred to in the paragraph headed "Qualifications and consent of expert" in this Appendix;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 36 to 37 in this circular;
- (f) the letter from Gram Capital, the text of which is set out on pages 38 to 50 in this circular; and
- (g) this circular.



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “SGM”) of Victory City International Holdings Limited (the “Company”) will be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong on Friday, 21 June 2019 at 10:00 a.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Consolidated Shares (as hereinafter defined), every ten existing issued and unissued shares of HK\$0.01 each in the share capital of the Company (each an “**Existing Share**”) be and are hereby consolidated into one share of HK\$0.10 (each a “**Consolidated Share**”) with effect from the business day immediately following the day on which this resolution is passed (the “**Share Consolidation**”) and the directors of the Company (the “**Directors**”) be authorised to issue new share certificates in respect of the Consolidated Shares to holders of issued existing shares of the Company pursuant to the Share Consolidation and to do all things and execute all documents in connection with or incidental to the Share Consolidation.”
2. “**THAT**
 - (a) the subscription agreement (the “**Subscription Agreement**”) dated 26 April 2019 entered into between the Company as issuer, Pearl Garden Pacific Limited and Madian Star Limited as subscribers (the “**Subscribers**”) (a copy of which is produced to the SGM marked “A” and signed by the chairman of the SGM for identification purposes) in relation to the subscriptions of the convertible bonds in an aggregate principal amount of HK\$400,000,000 (the “**New Convertible Bonds**”) to be issued by the Company and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified;

* *for identification purposes only*

NOTICE OF THE SGM

- (b) subject and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares (as defined below), the Directors be and are hereby authorised to: (i) issue the New Convertible Bonds to the Subscribers; and (ii) allot and issue such Existing Shares (or Consolidated Shares, assuming the Share Consolidation becoming effective) which may fall to be issued upon exercise of the conversion rights attaching to the New Convertible Bonds (the “**Conversion Shares**”) on the terms and subject to the conditions of the New Convertible Bonds;
- (c) an unconditional specific mandate granted to the Directors to exercise the powers to allot, issue and deal with such number of Conversion Shares as may be required to be allotted and issued upon the exercise of the conversion rights attaching to the New Convertible Bonds pursuant to the terms of the New Convertible Bonds be and is hereby confirmed and approved; and
- (d) subject to and conditional upon the fulfilment of the conditions in the Subscription Agreement, the Directors be and are hereby authorised to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the Subscription Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 5 June 2019

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
New Territories
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares and entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.

NOTICE OF THE SGM

2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time of the meeting (i.e. 10:00 a.m. on Wednesday, 19 June 2019, Hong Kong time) or any adjourned meeting.
3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 18 June 2019 to Friday, 21 June 2019 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 17 June 2019.
6. A form of proxy for use at the SGM is enclosed with the circular to the shareholders of the Company.
7. The ordinary resolutions set out above will be determined by way of a poll.
8. As at the date of this notice, the board of Directors of the Company 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.