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VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

DISCLOSEABLE AND CONNECTED TRANSACTION: DISPOSAL OF PROPERTIES

The Board is pleased to announce that on 15 July 2019, the Vendor, a non-wholly owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Properties, being one office premises and four car parking spaces in Hong Kong, at a consideration of HK\$63 million in aggregate. The existing tenancy of the Office Premises will be terminated subject to completion of the Disposal.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal are more than 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Choi, an executive Director and a substantial shareholder of the Vendor, indirectly held approximately 38.01% of the issued share capital of the Purchaser. The Purchaser is an associate of Mr. Choi, and therefore, a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction for the Company, and is subject to the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. Mr. Choi and his respective associates shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

The Circular containing, among other things, (i) further particulars of the Disposal; (ii) the recommendation from the Independent Board Committee to the independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Agreement and the transactions contemplated thereunder; and (iv) the notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 5 August 2019.

Shareholders and potential investors of the Company should note that completion of the transactions contemplated under the Agreement is subject to the satisfaction of the conditions precedent and the approval by the independent Shareholders at the SGM. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, 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.

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THE AGREEMENT

Date

15 July 2019 (after trading hours)

Parties

- (i) Vendor: Ford Glory International Limited (as vendor)
- (ii) Purchaser: Treasure Success International Limited (as purchaser)

As at the date of this announcement, Mr. Choi, an executive Director, indirectly held approximately 38.01% of the common stock of Jerash, which in turn wholly owned the Purchaser.

Subject matter

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Properties. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information provided by the Vendor as at the date of this announcement, the Office Premises, together with other parts of 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong, is currently leased by the Vendor to the Purchaser. Details of the existing tenancy arrangement regarding the Office Premises are set out below:

	Rental	Current term of tenancy
The Office Premises (together with other parts of 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong with a total gross area of approximately 5,977 square feet)	HK\$119,540 per month (inclusive of management fees, rates and government rent)	From 3 October 2018 to 2 October 2020

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, based on the information provided by the Vendor as at the date of this announcement, prior to the term of the current tenancy arrangement, part of the Office Premises was leased by the Vendor to the Purchaser with a monthly rental of approximately HK\$21,600 (inclusive of management fees, rates and government rent) between 15 July 2017 and 2 October 2018. Based on the current information available to the Company in respect of the rental of the Office Premises during the two years immediately preceding the date of the Agreement, the Group would have generated net profit before and after taxation of approximately HK\$1,157,000 and HK\$966,000 respectively for the two years immediately preceding the date of the Agreement from the rental income in respect of the Office Premises.

The existing tenancy of the Office Premises will be terminated by mutual agreement of the Vendor as landlord and the Purchaser as tenant subject to Completion. The deposit under the existing tenancy (less any deductions as may be made by the Vendor as landlord under the terms of the existing tenancy) shall be fully refunded by the Vendor to the Purchaser in accordance with the terms of the existing tenancy.

As at the date of this announcement, the Car Parks were used by the Group for its own use. The Vendor has held the Properties for more than 12 months.

The carrying value of the Properties as at 31 March 2019 amounted to approximately HK\$44,506,000 in aggregate.

Consideration

The Consideration is HK\$63 million in aggregate, which shall be paid by the Purchaser by way of cash in the following manner:

1. Deposit (and in part payment of the Consideration upon Completion) of HK\$6,300,000, representing 10% of the Consideration, upon signing of the Agreement; and
2. HK\$56,700,000, representing the balance of the Consideration, on the Completion Date by no later than 5:00 p.m..

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to, among others, the carrying value of the Properties of approximately HK\$44,506,000 in aggregate as at 31 March 2019, the preliminary valuation conducted by an independent property valuer and the market value of similar properties in similar locations. A valuation report on the Properties prepared by the independent property valuer appointed by the Company will be included in the Circular.

In the event that the Purchaser shall make and insist on any objections or requisitions as to title or any matter appearing on the title deeds or otherwise which the Vendor shall be unable or (on the grounds of difficulty, delay or expense or on any reasonable ground) unwilling to remove or comply with, or if the title of the Vendor is defective, the Vendor shall be at liberty to cancel the transactions contemplated under the Agreement on giving to the Purchaser seven Business Days' notice in writing, unless the objections or requisitions shall have been in the meantime withdrawn by the Purchaser, the sale of the Properties shall on the expiry of the notice be cancelled and the Purchaser shall be entitled to the return of the Deposit but without interest, cost or compensation and the parties shall at their own respective costs enter into and cause to be registered at the Land Registry an agreement for cancellation of the Agreement.

Stamp duty

All stamp duty shall be borne by the Purchaser.

Conditions precedents

Completion is conditional upon the following conditions having been fulfilled:

- (1) the obtaining of approval to the Agreement and the transactions contemplated thereunder by the independent Shareholders in accordance with the Listing Rules (if necessary);

- (2) the Company having obtained all other necessary approvals, consents, clearance and/or waiver as may be required under the Listing Rules and/or other applicable rules and regulations from the Stock Exchange or any other regulators in respect of the entering into and performance of the Agreement and the transactions contemplated hereunder (if necessary); and
- (3) the obtaining of the approval of a special committee formed or to be formed by independent directors of Jerash (if necessary).

The Vendor shall procure the fulfillment of the conditions precedent set out in (1) and (2) above, while the Purchaser shall procure the fulfillment of the condition precedent set out in (3) above. None of the conditions precedent as set out the Agreement can be waived by any parties to the Agreement.

The conditions precedent as set out in the Agreement shall be fulfilled in full before 5:00 p.m. on the Long Stop Date. If the conditions precedent as set out in the Agreement shall not be fulfilled by such time, all rights and obligations of the parties under the Agreement shall cease and terminate, save and except that the Vendor shall effect a full refund of the Deposit but without interest, costs or compensation to the Purchaser within five Business Days after the Long Stop Date and no party shall have any claim against the other save for claim (if any) in respect of antecedent breach of the Agreement and if the Agreement shall have been registered at the Land Registry, the Vendor shall have the right to register at the Land Registry an instrument signed by the Vendor alone evidencing such determination and to vacate the registration of the Agreement.

Completion

Subject to fulfillment of the conditions precedent as set out in the Agreement, Completion shall take place on the Completion Date. Upon completion of the Disposal, the Properties will cease to be held by the Group.

INFORMATION ABOUT THE GROUP AND THE VENDOR

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

INFORMATION ABOUT THE PURCHASER

The Purchaser is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Jerash. As at the date of this announcement, Mr. Choi indirectly held approximately 38.01% of the common stock of Jerash, which in turn wholly owned the Purchaser. The Purchaser is principally engaged in trading of garment products and provision of administrative support to Jerash and its subsidiaries.

INFORMATION ON THE PROPERTIES

The Vendor, a non-wholly owned subsidiary of the Company, is the owner of each of the Properties and the details of which are set out below:

Property	Address	Usage	Attributable interests to the Group as at the date of this announcement and immediately before Completion
Office Premises	Workshop A, 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	Office/commercial	51%
Car Parks	(a) Car parking space number P21, 2/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	Car parking	51%
	(b) Car parking space number P22, 2/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	Car parking	51%
	(c) Car parking space number P23, 2/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	Car parking	51%
	(d) Car parking space number P24, 2/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	Car parking	51%

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Properties will cease to be held by the Group. It is estimated that the Group will realise a gain from the Disposal of approximately HK\$18,494,000 (subject to audit), being the difference between the Consideration and the carrying amount of the Properties as of 31 March 2019.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Having taken into account the current property market conditions, the Directors (excluding the independent non-executive Directors, who shall provide their recommendations after taking into account the advice of the independent financial adviser) consider that the Disposal gives a good opportunity for the Company to realise a capital gain from the Disposal.

It is expected that the net proceeds from the Disposal (after deducting all relevant fees and expenses) will be reserved for the general working capital of the Group's garment business.

The Directors (excluding the independent non-executive Directors, who shall provide their recommendations after taking into account the advice of the independent financial adviser) believe that the Agreement is not entered in the ordinary and usual course of business of the Group, but the terms thereof (including the Consideration) are fair and reasonable and the transactions contemplated thereunder are in the interests of the Shareholders and the Company as a whole.

Mr. Choi is considered to have material interests in the Disposal by virtue of his directorship in the Company and his interests in the Purchaser, and therefore has abstained from voting on the Board resolutions approving the Disposal. Save as disclosed above, none of the Directors have abstained from voting on the said Board resolutions.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

The Company has established the Independent Board Committee to consider and advise the independent Shareholders as to whether the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the independent Shareholders in connection with the Disposal.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal are more than 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Choi, an executive Director and a substantial shareholder of the Vendor, indirectly held approximately 38.01% of the issued share capital of the Purchaser. The Purchaser is an associate of Mr. Choi, and therefore, a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction for the Company, and is subject to the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. Mr. Choi and his respective associates shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

The Circular containing, among other things, (i) further particulars of the Disposal; (ii) the recommendation from the Independent Board Committee to the independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Agreement and the transactions contemplated thereunder; and (iv) the notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 5 August 2019.

Shareholders and potential investors of the Company should note that completion of the transactions contemplated under the Agreement is subject to the satisfaction of the conditions precedent and the approval by the independent Shareholders at the SGM. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, 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.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the agreement dated 15 July 2019 and entered into between the Purchaser and the Vendor in relation to the Disposal
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Business Day(s)”	any day of the week when licensed banks in Hong Kong are open for business in Hong Kong, but excluding (a) Saturdays and Sundays; (b) public holidays; and (c) gale warning days or rainstorm warning days as defined in Interpretation and General Clauses Ordinance (Chapter 1 of the Laws of Hong Kong)
“Car Parks”	four car parking spaces numbered P21 to P24 at 2/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong
“Circular”	the circular to be despatched by the Company and containing, among others, (i) further particulars of the Disposal; (ii) the recommendation from the Independent Board Committee to the independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Agreement and the transactions contemplated thereunder; and (iv) the notice of the SGM and a form of proxy
“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“Completion Date”	date of Completion, being the seventh Business Day after fulfillment of all the conditions precedents of the Agreement (or such other date as the parties may agree in writing)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of the Disposal, being HK\$63 million in aggregate
“Deposit”	HK\$6,300,000, being deposit (and in part payment of the Consideration upon Completion) to be paid by the Purchaser to the Vendor upon signing of the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Properties by the Vendor to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, formed to advise the independent Shareholders in respect of the Disposal
“Jerash”	Jerash Holdings (US) Inc., a company incorporated in the United States of America, whose common stock is listed on NASDAQ (NASDAQ: JRSH)
“Land Registry”	the Land Registry of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2019 (or such later date as the parties of the Agreement may agree in writing), being the date by which the conditions precedent of the Agreement are to be fulfilled (or insofar as any of them can be waived, waived in accordance with the terms of the Agreement)
“Mr. Choi”	Mr. Choi Lin Hung, an executive Director, who indirectly held approximately 38.01% of the issued share capital of the Purchaser as at the date of this announcement
“NASDAQ”	The NASDAQ (National Association of Securities Dealers Automated Quotation System) Capital Market in the United States of America
“Office Premises”	an office premises with saleable area of approximately 366 sq. m. held by the Vendor and located at Workshop A, 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Properties”	the Office Premises and the Car Parks
“Purchaser”	Treasure Success International Limited (寶陞國際有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Jerash, which is held by Mr. Choi as to approximately 38.01%, a connected person of the Company

“SGM”	the special general meeting of the Company to be held for the purpose of, considering and if thought fit, approving the Agreement and the transactions contemplated thereunder (or any adjournment thereof)
“Share(s)”	ordinary share(s) in the share capital of the Company of HK\$0.1 each
“Shareholder(s)”	the holder(s) of the issued Shares
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Vendor”	Ford Glory International Limited (福源國際有限公司), a limited liability company incorporated in Hong Kong and a non-wholly owned subsidiary of the Company, indirectly owned as to 51% by the Company and 49% by Mr. Choi as at the date of this announcement
“%”	per cent

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

Hong Kong, 15 July 2019

As at the date of this announcement, the executive Directors are Mr. Li Ming Hung (Chairman), Mr. Chen Tien Tui (Chief Executive Officer), Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung and the independent non-executive Directors are Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi.

** for identification purposes only*