

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

*This announcement appears 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)**

### **ISSUANCE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

On 14 October 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in relation to, among others, the issue of the Convertible Bonds in the principal amount of HK\$65,000,000 due on the date falling two years (which can, by agreement between the Bondholder and the Company, be extended to five years) after the date of issuance of the Convertible Bonds. The initial Conversion Price is HK\$0.65 per Conversion Share, subject to adjustments set out in the Convertible Bonds. The Convertible Bonds bear interest from and including the Issue Date at the rate of 5% per annum payable semi-annually.

Upon full conversion of the Convertible Bonds at the initial Conversion Price, a total of 100,000,000 Conversion Shares will be issued to the Subscriber, representing approximately 12.87% of the issued share capital of the Company as at the date of this announcement, and approximately 11.40% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The estimated net proceeds from the issue of the Convertible Bonds, after deducting related expenses, are estimated to be approximately HK\$64.7 million, which are intended to be reserved for the construction of a manufacturing base in Bangladesh.

The Conversion Shares will be issued under the General Mandate and no additional approval for the allotment and issue of the Conversion Shares from the Shareholders is required.

**Completion of the Subscription is subject to the satisfaction and/or waiver of the conditions precedent set out in the Subscription Agreement. In addition, the Subscription Agreement may be terminated in certain circumstances. As such, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

On 14 October 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of up to HK\$65,000,000.

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

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

14 October 2019 (after trading hours)

### **Parties**

Issuer: The Company

The Subscriber: Mr. Wong Shu Fat

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber is an Independent Third Party. The Subscriber is a Hong Kong citizen.

### **Subject matter**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$65,000,000 on the Completion Date.

### **Conditions precedent**

The subscription by the Subscriber of the 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 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; and
- (3) the Board approving and authorising the execution and completion of the Subscription Agreement and the instrument constituting the Convertible Bonds, the creation and issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds.

The Subscriber may, at his discretion and upon such terms as he thinks fit, waive compliance with the condition (2) set out above.

In the event that any of the above conditions is not fulfilled (or waived, if applicable) on or before the Longstop Date, none of the Company and the Subscriber shall have any claims against the other in respect of the Subscription. Accordingly, the Subscription 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 CONVERTIBLE BONDS

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

- Issuer: The Company
- Principal amount: HK\$65,000,000
- Issue price: 100% of the principal amount of the Convertible Bonds
- Interest rate: 5% per annum on the outstanding principal amount of the 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 Convertible Bonds will (subject to any obligations preferred by mandatory provisions of law) rank *pari passu* with all other present and future direct, unconditional and unsubordinated obligations of the Company.
- Conversion right: Subject as provided in the terms of the Convertible Bonds, the 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 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 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 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) the shareholding of Mr. Li Ming Hung, Mr. Chen Tien Tui, and companies directly or indirectly, controlled or interested in by any of them would, in aggregate, fall to equal or less than 20% of the entire issued share capital of the Company (the “**Shareholding Level Requirement**”); or
- (iii) 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 a breach of the Shareholding Level 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 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 Convertible Bonds and at the same time comply with the Public Float Requirement or without triggering a mandatory general offer under the Takeovers Code or breach the Shareholding Level Requirement (as the case may be).

Cash settlement:

Notwithstanding the conversion right of each Bondholder in respect of each Convertible Bond, at any time where the delivery of Shares deliverable upon conversion of the Convertible Bonds is required to satisfy the conversion right in respect of a conversion notice, the Company shall have the option, in the event that such issue of Shares would result in breach of its obligations under the Listing Rules, to pay to the relevant Bondholder an amount of cash in Hong Kong dollars equal to the Cash Settlement Amount (as defined below) in order to satisfy such conversion right, in full or in part as determined at the sole discretion of the Company (and, if in part, in which case the other part shall be satisfied by the delivery of Shares) (the “**Cash Settlement Option**”).

Conversion period:

The holder(s) of the Convertible Bonds shall have the right to convert the whole or part of the principal amount of the 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\$0.65 per Conversion Share, subject to adjustment provisions as summarised below.

Comparison of Conversion Price The Conversion Price of HK\$0.65 per Conversion Share represents:

- (a) a premium of approximately 64.56% over the closing price of the Shares of HK\$0.395 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 64.97% over the average closing price of the Shares of approximately HK\$0.394 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 63.32% over the average closing price of the Shares of approximately HK\$0.398 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 92.58% to the audited net asset value per Share of approximately HK\$8.76 (based on the latest published consolidated net asset value of the Group of approximately HK\$6,804,767,000 as at 31 March 2019 as disclosed in the annual report of the Company for the year ended 31 March 2019 and 776,911,981 Shares in issue as at the date of this announcement).

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 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.

- (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 Convertible Bonds shall be determined by dividing the principal amount of the relevant Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.

Upon exercise of the conversion rights under the Convertible Bonds in full at the initial Conversion Price of HK\$0.65 per Conversion Share, a total of 100,000,000 Conversion Shares will be issued, representing:

- (i) approximately 12.87% of the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 11.40% of the issued share capital of the Company as enlarged by the issue of Conversion Shares.

Redemption upon maturity: Any 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 Convertible Bonds together with interest accrued thereon.

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 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 Convertible Bonds to be redeemed together with interest accrued to the relevant date of redemption.



- Redemption by the Bondholders: The 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 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 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, the Bondholder 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 Convertible Bonds at the redemption amount which is 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with interest accrued to the relevant date of redemption, whereupon such sum shall become due and payable in the manner provided in the instrument constituting the Convertible Bonds on the Business Day falling after 10 days of the date of such notice.
- Voting rights: The 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 Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.
- Transferability: Subject to the satisfaction of warranties stipulated in the instrument constituting the Convertible Bonds (or, if capable of being remedied, has been remedied) and subject to the Company’s prior written consent, the 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 Convertible Bond, with an instrument of transfer duly completed and signed by both the transferor and the transferee. No transfer of title to any Convertible Bond will be effective unless and until entered on the register of Bondholders.
- Subject to the Listing Rules, the 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 holder of the Convertible Bonds may give notice to the Company that the 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 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 Convertible Bonds or in the 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 Convertible Bonds) and such default continues for the period of 14 days next following the service by any holder of the Convertible Bonds on the Company of notice specifying brief details of such default and requiring such default to be remedied; or
- (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 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 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 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 Convertible Bonds.

Undertakings by the Company:

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

- (i) it will notify the Bondholder in writing immediately upon becoming aware of the occurrence of any event of default;
- (ii) it will send to the Bondholder as soon as reasonably practicable and in any event within five (5) days after being so requested in writing by any Bondholder(s) 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 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 Convertible Bonds which are expressed to be binding on it;
- (iv) upon the exercise of any conversion rights attached to the Convertible Bonds pursuant to the conditions set out in the instrument constituting 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; and

- (v) it will ensure that all Shares allotted pursuant to an exercise of the conversion rights attached to the 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 Bondholder prior to the relevant registration date and, for this purpose, the notice to the Bondholder(s) may take the form of sending a copy of the relevant announcement published on the Stock Exchange to them; and
- (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 SUBSCRIPTION 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 3 July 2019 and 1 August 2019. The Group has planned to construct a manufacturing base in Bangladesh for the yarn manufacturing and fabric production (the “**Expansion**”) as the costs of production in 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 Expansion will be invested with a business partner, who has over 20 years’ experience in garment manufacturing, with scaled operation in Bangladesh.

The joint venture formed by the Group and the business partner entered into an agreement with relevant government authority for acquisition of the land for the construction of manufacturing base in September 2019, and completion of the acquisition of land is expected to take place in or about February 2020. It is expected that the construction of the manufacturing base will commence after completion of acquisition of land, and the manufacturing base will first focus on fabric production and it is expected that fabric production will commence at the manufacturing base in or about the second half of 2021. The expected monthly production capacity for fabric production will be approximately 2.5 million pounds.

Based on the agreement entered into with the government authorities and negotiation with the business partner, and the preliminary assessment of the estimated capital expenditure required, it is expected that approximately HK\$1,000 million will be required, of which (i) approximately HK\$150 million will be used for the acquisition of land; (ii) approximately HK\$300 million will be used for constructing the production plant; (iii) approximately HK\$400 million will be used for acquiring machineries; and (iv) approximately HK\$150 million will be used for constructing a water treatment plant.

The gross proceeds and the net proceeds from the issue of the Convertible Bonds will be HK\$65.0 million and approximately HK\$64.7 million, respectively. Therefore, the net issue price per Conversion Share is estimated to be approximately HK\$0.647. The Company intends to use the net proceeds 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) for the Expansion.

The Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital since it will not have an immediate dilution effect on the shareholding of the existing Shareholders. The Directors consider that the terms of the Subscription Agreement, which were arrived at arm's length negotiations between the Company and the Subscriber, are fair and reasonable, on normal and commercial terms and are in the interests of the Company and the Shareholders as a whole.

## EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) upon full conversion of the Convertible Bonds (on the assumptions that the Convertible Bonds are converted at the initial Conversion Price being HK\$0.65 per Conversion Share and there is no other change in the issued share capital of the Company from the date of this announcement up to the date of full conversion of the Convertible Bonds) is as follows:

|  | As at the date of<br>this announcement |   | Upon full conversion of the<br>Convertible Bonds |   |
|--|--|---|--|---|
|  | <i>No. of Shares</i>                   | <i>Approximate<br/>%</i><br><i>(Note 1)</i> | <i>No. of Shares</i>                             | <i>Approximate<br/>%</i><br><i>(Note 1)</i> |
| Pearl Garden Pacific Limited ( <i>Note 2</i> ) | 104,567,400                            | 13.46                                       | 104,567,400                                      | 11.92                                       |
| Madian Star Limited ( <i>Note 3</i> )          | 104,567,400                            | 13.46                                       | 104,567,400                                      | 11.92                                       |
| Mr. Chen Tien Tui ( <i>Note 4</i> )            | 549,000                                | 0.07  | 549,000  | 0.07  |
| Mr. Choi Lin Hung ( <i>Note 4</i> )            | 2,100,000                              | 0.27  | 2,100,000  | 0.24  |
| Mr. Phaisalakani Vichai ( <i>Note 5</i> )      | 1,000,000                              | 0.13  | 1,000,000  | 0.11  |
| Mr. Wang Guofeng ( <i>Note 6</i> )             | 61,348,000                             | 7.90  | 61,348,000                                       | 7.00  |
| Other public Shareholders                      | 502,780,181                            | 64.71                                       | 502,780,181                                      | 57.34                                       |
| The Subscriber                                 | —                                      | —   | 100,000,000                                      | 11.40                                       |
| Total:   | <u>776,911,981</u>                     | <u>100.00</u>                               | <u>876,911,981</u>                               | <u>100.00</u>                               |

### Notes:

1. 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.
2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for the family members of Mr. Li Ming Hung, an executive Director.
3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for the family members of Mr. Chen Tien Tui, an executive Director.
4. Mr. Chen Tien Tui and Mr. Choi Lin Hung are executive Directors.
5. Mr. Phaisalakani Vichai is an independent non-executive Director.
6. Based on the disclosure of interests form filed by Mr. Wang Guofeng on 2 October 2019, Mr. Wang Guofeng was deemed to be interested in (i) 14,612,000 Shares which were held by Access Wonders Holding Limited, a company owned by the trustee of a discretionary trust of which Mr. Wang Guofeng is a founder; (ii) 30,000,000 Shares which were held by Forever Green Ltd, a company owned by the trustee of a discretionary trust of which Mr. Wang Guofeng is a founder; and (iii) 16,736,000 Shares owned by Ms. Pong Kwong Fai, the spouse of Mr. Wang Guofeng.

## 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 this announcement:

| Date of announcement/<br>circular/prospectus                     | Event                      | Net proceeds<br>(approximate) | Intended use of proceeds as<br>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 wastewater treatment facilities;<br><br>(ii) approximately HK\$70 million for construction of a new boiler; and<br><br>(iii) approximately HK\$79.3 million as general working capital | (i) Approximately HK\$80 million had been used for construction of new electron beam wastewater treatment facilities, and the remaining approximately HK\$20 million will be used as intended;<br><br>(ii) approximately HK\$70 million had been used for construction of a new boiler; and<br><br>(iii) approximately HK\$79.3 million had been used as general working capital |
| 26 April 2019, 5 June 2019 and 28 June 2019                      | Issue of convertible bonds | HK\$400 million               | All net proceeds for the redemption of convertible bonds in the principal amount of HK\$400 million issued by the Company on 22 September 2017   | All net proceeds has been used for the redemption of convertible bonds in the principal amount of HK\$400 million issued by the Company on 22 September 2017   |
| 1 August 2019 and 13 August 2019                                 | Issue of convertible bonds | HK\$63.7 million              | All net proceeds reserved for the Expansion  | All net proceeds will be used for the Expansion  |

## GENERAL MANDATE

Upon exercise in full of the Conversion Rights attaching to the Convertible Bonds, a maximum of 100,000,000 Conversion Shares shall be allotted and issued under the General Mandate. The General Mandate entitles the Directors to allot, issue and deal with Shares not exceeding 20% of the issued Shares of the Company as at the date of the annual general meeting of the Company held on 28 August 2019 approving the General Mandate, which is 155,382,396 Shares. As at the date of this announcement, none of the Shares have been issued by the Company under the General Mandate. Accordingly, the issue of the Convertible Shares under the General Mandate is not subject to the Shareholders' approval.

**Completion of the Subscription is subject to the satisfaction and/or waiver of the conditions precedent set out in the Subscription Agreement. In addition, the Subscription Agreement may be terminated in certain circumstances. As such, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

|                                 |   |
|---------------------------------|---|
| “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 Convertible Bonds   |
| “Board”                         | board of the Directors  |
| “Bondholder(s)”                 | a person whose name is registered in the register of Bondholders, and “ <b>holder</b> ” in relation to a 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  |
| “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 Subscription 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 Subscriber may agree in writing)   |
| “connected person(s)”           | has the meaning ascribed thereto in the Listing Rules   |
| “Conversion Price”              | the conversion price per Conversion Share at which Conversion Shares will be issued upon exercise of the conversion rights attaching to the Convertible Bonds, being initially HK\$0.65 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the 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 Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds  |
| “Convertible Bonds”            | the HK\$65,000,000 five (5) per cent. convertible bonds due 2021 (extendable to 2024 by agreement) to be issued by the Company to the Subscriber   |
| “Director(s)”                  | director(s) of the Company   |
| “General Mandate”              | the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 28 August 2019 to allot, issue and deal with up to 155,382,396 Shares, being 20% of the then issued Shares as at the date of the said annual general meeting |
| “Group”                        | the Company and its subsidiaries   |
| “Hong Kong”                    | Hong Kong Special Administrative Region of the PRC   |
| “Independent Third Party(ies)” | an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons  |
| “Issue Date”                   | the date of first issue of the Convertible Bonds   |
| “Last Trading Day”             | 14 October 2019, being the last trading day for the Shares before the entering into of the Subscription Agreement  |
| “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”                | 31 October 2019 or such other date as the Company and the Subscriber shall agree in writing  |
| “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  |

|                            |   |
|----------------------------|---|
| “PRC”                      | the People’s Republic of China which, for the purpose of this announcement, 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 |
| “Share(s)”                 | ordinary share(s) of HK\$0.1 each in the share capital of the Company   |
| “Shareholder(s)”           | holder(s) of the issued Share(s)  |
| “Stock Exchange”           | The Stock Exchange of Hong Kong Limited   |
| “Subscriber”               | Mr. Wong Shu Fat, being the subscriber under the Subscription Agreement and an Independent Third Party  |
| “Subscription”             | the subscription of the Convertible Bonds pursuant to the terms of the Subscription Agreement   |
| “Subscription Agreement”   | the conditional subscription agreement dated 14 October 2019 and entered into between the Company and the Subscriber in relation to the Subscription  |
| “Takeovers Code”           | the Hong Kong Code on Takeovers and Mergers   |
| “HK\$”                     | Hong Kong dollars, the lawful currency of Hong Kong   |
| “%”                        | per cent.   |

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

Hong Kong, 14 October 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*