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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 TRANSACTION: DISPOSAL OF 51% INTEREST IN RS INTERNATIONAL HOLDINGS LIMITED

On 13 July 2016 (after trading hours), the Vendor and the Purchaser entered into the Agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares at the Purchase Price of HK\$98,000,000.

As one or more of applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules, and is subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Rule 14.33 of the Listing Rules.

THE AGREEMENT

Date: 13 July 2016 (after trading hours)

Purchaser: Mr. Lee Kian Tjiauw

Vendor: VC Investments

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser is a third party independent of and not connected with the Company and the connected persons of the Company.

The Purchase Price

Pursuant to the Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares at the Purchase Price of HK\$98,000,000.

The Purchase Price of the Sale Shares shall be paid by the Purchaser by way of cash or in such other method as may be agreed between the Vendor and the Purchaser in the following manner:

- (a) within three Business Days after entering into of the Agreement, the Deposit of HK\$29,400,000 shall be paid by the Purchaser to the Vendor or its nominee; and
- (b) at Completion, the Purchaser shall pay HK\$68,600,000, being the balance of the Purchase Price, to the Vendor or its nominee.

The Purchase Price was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the net profit before tax of the Target Group for the year ended 31 March 2016 of approximately HK\$70 million and the prospects of the Target Group.

Conditions precedent and Completion

Completion is conditional upon:

- (a) the Purchaser having completed the Review and the results of the Review have not revealed or disclosed any matter, fact or circumstance which constitutes or is likely to constitute any material breach of any of the warranties or other provisions of the Agreement by the Vendor;
- (b) if necessary, all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of the Target Company as contemplated by the Agreement having been obtained from the requisite government or regulatory authorities or any third parties; and
- (c) the Purchaser being satisfied that, as at Completion, there has not been any change (or effect) which has a material and adverse effect on the financial position, business or operations of the Target Group as a whole or in respect of any member of the Target Group since 31 March 2016 as shown in the unaudited consolidated management accounts of the Target Group, comprising unaudited consolidated balance sheet, for the financial year ended 31 March 2016.

The Purchaser may at any time by notice in writing to the Vendor waive the conditions set out above in whole or in part. If any of the conditions set out above has not been satisfied (or, as the case may be, waived by the Purchaser) on or before 12:00 noon on 29 July 2016, or such later date as the parties may agree, the Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any prior breaches of the terms thereof; and the Vendor shall repay the Deposit or procure the Deposit to be repaid to the Purchaser.

Subject to the fulfilment (or, where applicable, waiver) of all conditions precedent, Completion shall take place at 5:00 p.m. on the Completion Date.

INFORMATION ON THE TARGET COMPANY AND THE TARGET GROUP

As at the date of this announcement, the Target Company was an indirect non-wholly-owned subsidiary of the Company and was owned as to 51% by the Vendor and as to 49% by Merlotte Enterprise. The Target Group is principally engaged in the sale and manufacture of

garment products in Jordan. Based on the latest unaudited consolidated management accounts of the Target Group, the net asset value of the Target Group as at 31 March 2016 was approximately HK\$127 million.

The following financial information has been extracted from the latest unaudited consolidated management accounts of the Target Group for the years ended 31 March 2015 and 2016:

	Year ended 31 March 2015 <i>HK\$'000</i> (approximate)	Year ended 31 March 2016 <i>HK\$'000</i> (approximate)
Turnover	332,826	406,715
Net profit/(loss) before tax	36,594	70,151
Net profit/(loss) after tax	36,594	70,138

FINANCIAL IMPACT OF THE DISPOSAL

Based on the Purchase Price, the estimated transaction costs and the net asset value of the Target Group as at 31 March 2016, it is estimated that the Group will record a gain of approximately HK\$33 million (before tax and any consideration adjustments) from the Disposal, subject to any change in the net asset value of the Target Group from 1 April 2016 to Completion.

Upon Completion, each of the members of the Target Group will cease to be a subsidiary of the Company and the accounts of each member of the Target Group will no longer be consolidated in the financial statements of the Company thereafter.

REASONS FOR AND BENEFITS OF THE DISPOSAL 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.

As disclosed in the Company's annual results announcement of 28 June 2016 (the "**Results Announcement**"), the signing of the Trans-Pacific Strategic Economic Partnership Agreement (the "**TPP**") in February 2016 which involved 12 countries, namely, the United States of America, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru and whose aim, among others, was to deepen economic ties between the signatories states, eliminate tariffs and foster trade among signatories states, had created uncertainty about how the new import duty free arrangement amongst member states under the TPP would affect the business operations of non-member countries currently enjoying import duty free privileges from member states under the TPP, such as the United States of America, Canada and Japan. Also disclosed in the Results Announcement, the Group was evaluating the possible impact of the TPP on its current offshore garment manufacturing bases including Jordan; and it was also considering the possible business/investment potential(s) of other offshore location(s) which are member states under the TPP, such as Vietnam. The Directors consider that the Disposal and the cash consideration to be received by the Group from the Disposal could not only contribute to the working capital of the Group, but also to provide the financial flexibility and resources to the Group to consider possible business/investment opportunities in other offshore location(s), such as Vietnam, in light of the possible impact of the TPP. However, the Directors will be cautious when considering possible

investment and/or acquisition opportunities. Other than that, the Directors also believe that the disposal of the Group's factories in Jordan under the Disposal might reduce the possible future impact the TPP tariff arrangement amongst member states might have on the Group's garment operations in Jordan, which is not a member state of the TPP.

The net proceeds from the Disposal are intended to be used as general working capital of the Group.

Based on the above, the Board (including the independent non-executive Directors) considers that the terms of the Agreement and the Disposal are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules, and is subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Rule 14.33 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Agreement”	the agreement for sale and purchase of the Sale Shares entered into between the Purchaser and the Vendor dated 13 July 2016
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturdays, Sundays and such other days where a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong), on which licensed banks in Hong Kong are open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Victory City International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Agreement
“Completion Date”	the date on which all the conditions precedent as set out in the Agreement are fulfilled (or waived) or such other date as the Vendor and the Purchaser may agree in writing as the date of which Completion shall take place
“connected persons”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Deposit”	HK\$29,400,000, being deposit and partial payment of the Purchase Price payable by the Purchaser to the Vendor or its nominee

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merlotte Enterprise”	Merlotte Enterprise Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Choi Lin Hung, an executive Director
“Purchase Price”	HK\$98,000,000, being the purchase price for the Sale Shares payable by the Purchaser to the Vendor under the Agreement
“Purchaser”	Mr. Lee Kian Tjiauw, a Hong Kong individual
“Review”	review of the Target Group’s assets, liabilities, activities, operations, prospects and affairs the Purchaser shall conduct or procure that its agent will conduct forthwith upon signing of the Agreement as the Purchaser may consider appropriate
“Sale Shares”	the 51 shares of HK\$0.01 each in the issued share capital of the Target Company legally and beneficially owned by the Vendor, representing 51% interest in the Target Company
“Shareholders”	the holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	RS International Holdings Limited, a company incorporated in Bermuda with limited liability and an indirect non-wholly-owned subsidiary of the Company, which was owned as to 51% by the Vendor and as to 49% by Merlotte Enterprise
“Target Group”	the Target Company and its subsidiaries, comprising (i) Perfect Tribute Limited; (ii) Wealth Choice Limited; (iii) Victory Apparel (Jordan) Manufacturing Company Limited; (iv) Global Trend Investments Limited; (v) Jerash Garments & Fashions Manufacturing Company Ltd.; (vi) Chinese Garments and Fashions Manufacturing Company Limited; and (vii) Jerash for Industrial Embroidery Company Limited

“Vendor” or “VC
Investments”

Victory City Investments Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company

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

Hong Kong, 13 July 2016

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

* *For identification purposes only*