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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)**

**PROPOSED RIGHTS ISSUE OF  
NOT LESS THAN 1,397,914,735 RIGHTS SHARES AND  
NOT MORE THAN 1,584,839,735 RIGHTS SHARES OF  
HK\$0.01 EACH AT HK\$0.250 PER RIGHTS SHARE ON THE BASIS OF  
ONE RIGHTS SHARE FOR EVERY TWO SHARES  
HELD ON THE RECORD DATE**

**Underwriter to the Rights Issue**

 **KINGSTON SECURITIES**

### **PROPOSED RIGHTS ISSUE**

The Board proposed to raise gross proceeds of approximately HK\$349.5 million to approximately HK\$396.2 million on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date by issuing not less than 1,397,914,735 Rights Shares (assuming no outstanding Share Options will be exercised on or before the Record Date) and not more than 1,584,839,735 Rights Shares (assuming the outstanding Share Options will be exercised in full on or before the Record Date) at the Subscription Price of HK\$0.250 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The estimated net proceeds (after the deduction of the costs and expenses which the Company will incur in the Rights Issue) will be not less than approximately HK\$344.5 million and not more than approximately HK\$391.2 million (assuming the outstanding Share Options will be exercised in full on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue for the establishment of new production facilities for fabric manufacturing in Vietnam and the expansion of the Group's synthetic fabric production.

## **Irrevocable Undertakings and the Underwriting Agreement**

As at the date of this announcement, the Committed Shareholders are beneficially interested in an aggregate of 867,726,000 Shares, representing approximately 31.04% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, the Committed Shareholders have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, (i) accept their entitlements to the provisional allotment of an aggregate of 433,863,000 Rights Shares, respectively; (ii) not to sell or transfer the Shares held by them in any manner before the completion or lapse of the Rights Issue; and (iii) (other than Mr. Choi) not to apply for any Rights Shares in excess of those provisionally allotted to each of them.

On 8 November 2016 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite not less than 964,051,735 Rights Shares (assuming no outstanding Share Options will be exercised on or before the Record Date) and not more than 1,150,976,735 Rights Shares (assuming the outstanding Share Options will be exercised in full on or before the Record Date) subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

### **Listing Rules implications**

Since the Rights Issue would increase neither the issued share capital nor the market capitalisation of the Company by more than 50%, the Rights Issue is not required to be conditional upon approval by the Shareholders under Rule 7.19(6) of the Listing Rules. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both nil paid and fully paid forms.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.**

## PROPOSED RIGHTS ISSUE

The Board proposed to raise gross proceeds of approximately HK\$349.5 million to approximately HK\$396.2 million on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date by issuing not less than 1,397,914,735 Rights Shares (assuming no outstanding Share Options will be exercised on or before the Record Date) and not more than 1,584,839,735 Rights Shares (assuming the outstanding Share Options will be exercised in full on or before the Record Date) at the Subscription Price of HK\$0.250 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

On 8 November 2016 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

### Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) Shares held at the close of business on the Record Date
Subscription Price	:	HK\$0.250 per Rights Share
Number of Shares in issue as at the date of this announcement	:	2,795,829,470 Shares
Minimum number of Rights Shares (assuming no outstanding Share Options will be exercised on or before the Record Date)	:	1,397,914,735 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Maximum number of Rights Shares (assuming outstanding Share Options will be exercised in full on or before the Record Date)	:	1,584,839,735 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Minimum number of issued shares of the Company upon completion of the Rights Issue	:	4,193,744,205 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Maximum number of issued shares of the Company upon completion of Rights Issue	:	4,754,519,205 Shares, assuming the outstanding Share Options are exercised in full but there will be no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s), on or before the Record Date

Amount to be raised	:	Approximately HK\$349.5 million to approximately HK\$396.2 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the date of this announcement, the Company has 373,850,000 outstanding Share Options, of which 103,850,000 outstanding Share Options are exercisable during the period from 2 April 2012 to 1 April 2017 and 270,000,000 outstanding Share Options are exercisable during the period from 12 October 2016 to 11 October 2021. Had such outstanding Share Options been exercised in full, an additional 373,850,000 Shares (which entitle to 186,925,000 Rights Shares) would have been issued assuming no further grant of share option by the Company for the period from the date of this announcement to the Record Date.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 50.00% of the Company's issued share capital as at the date of this announcement and approximately 33.33% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 2 December 2016.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 2 December 2016.

## **Closure of register of members**

The register of members of the Company will be closed from Monday, 5 December 2016 to Friday, 9 December 2016 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

## **Basis of provisional allotments**

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

## **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders. As at the date of this announcement, there were no Overseas Shareholders.

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form during the period from Wednesday, 14 December 2016 to Wednesday, 21 December 2016 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Excluded Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

## **Subscription Price**

The Subscription Price for the Rights Shares is HK\$0.250 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.



The Subscription Price represents:

- (a) a discount of approximately 30.56% to the closing price of HK\$0.360 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 22.60% to the theoretical ex-rights price of approximately HK\$0.323 per Share based on the closing price of HK\$0.360 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 30.36% to the average of the closing prices of approximately HK\$0.359 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 30.94% to the average of the closing prices of approximately HK\$0.362 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.

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account the following factors: (i) the prevailing share price of the Company; (ii) the current uncertainties and low market sentiment in the Hong Kong stock market; (iii) the latest business performance and financial position of the Group; and (iv) the funding and capital needs of the Company.

In determining the terms of the Rights Issue, the Company strives to set a reasonable subscription price that reflects a balance between the inherent value and the market price of the Shares. While the Rights Issue is fully underwritten by the Underwriter, an existing Shareholder may make an informed decision in electing to accept or decline part of or all of his/her/its provisional allotment of nil paid rights. The Underwriter would be accepting the Rights Shares on the same price as any other Qualifying Shareholder.

The Directors are of the view that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally.

The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.246 to approximately HK\$0.247.

### **Status of Rights Shares**

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

## **Fractions of the Rights Shares**

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be rounded down to the nearest whole number of the Rights Shares. Any Rights Shares created from the aggregation of fractions of the Rights Shares will be sold in the market for the benefit of the Company if a premium (net of expenses) can be obtained. Any unsold fraction of Rights Shares will be available for excess applications by Qualifying Shareholders under the EAF(s).

## **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on Friday, 6 January 2017 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Friday, 6 January 2017 by ordinary post to the applicants, at their own risk, to their registered addresses.

## **Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders, for any Rights Shares provisionally allotted but not accepted and for any unsold Rights Shares arising out of the aggregation of fractional entitlements.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Wednesday, 28 December 2016.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares subscribed through applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

## **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

## **THE UNDERWRITING AGREEMENT**

On 8 November 2016, the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by the Committed Shareholders pursuant to the Irrevocable Undertakings.

Date	:	8 November 2016
Underwriter	:	Kingston Securities Limited, a corporation licensed to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Minimum number of Rights Shares underwritten by the Underwriter	:	964,051,735 Rights Shares (being all Rights Shares under the Rights Issue other than those Rights Shares to be taken up under the Irrevocable Undertakings and assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date)
Maximum number of Rights Shares underwritten by the Underwriter	:	1,150,976,735 Rights Shares (being all Rights Shares under the Rights Issue other than those Rights Shares to be taken up under the Irrevocable Undertakings and assuming the outstanding Share Options are exercised in full but there will be no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date)



Commission : The Underwriter will receive 1% of the aggregate Subscription Price of the maximum number of the Underwritten Shares as underwriting commission

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiations between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

The Directors are of the view that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **The Irrevocable Undertakings**

As at the date of this announcement, the Committed Shareholders are beneficially interested in an aggregate of 867,726,000 Shares, representing approximately 31.04% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, the Committed Shareholders have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, that (i) accept their entitlements to the provisional allotment of an aggregate of 433,863,000 Rights Shares, respectively; (ii) not to sell or transfer the Shares held by them in any manner before the completion or lapse of the Rights Issue; and (iii) (other than Mr. Choi) not to apply for any Rights Shares in excess of those provisionally allotted to each of them.

Save for the Irrevocable Undertakings given by each of the Committed Shareholders, as at the date of this announcement, the Board has not received any information from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

### **Termination of the Underwriting Agreement**

If, prior to the Latest Time for Termination,

(A) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

- (i) the introduction of any new regulation or any change in existing laws or regulation (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
- (iii) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;

- (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;
- (v) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;
- (vi) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant to any member of the Group and a change in currency conditions for this includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or
- (vii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company,

which event or events is or are in the absolute opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;
  - (b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
  - (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue;
- (B) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (C) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

**If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter or the Company.**

## Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;
- (b) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus for information only to the Excluded Shareholders, if any, by no later than the Posting Date;
- (d) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days at any time prior to the Latest Time for Acceptance;
- (e) compliance with the requirements under the applicable laws and regulations of Hong Kong and Bermuda;
- (f) each of the Committed Shareholders complying with his/its obligations under their respective Irrevocable Undertaking;
- (g) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination; and
- (h) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination.

The conditions precedent set out in paragraphs (a) to (g) above are incapable of being waived by the Underwriter and the Company. The Underwriter may waive the condition precedent set out in paragraph (h) in whole or in part by written notice to the Company.

If the conditions precedent set out in above paragraphs are not satisfied (or in respect of paragraph (h), waived in whole or in part by the Underwriter) on or before the Latest Time of Acceptance (or such later time and/or date as the Company and the Underwriter may determine in writing), and/or paragraph (h) does not remain fulfilled (unless waived by the Underwriter) up to the Latest Time for Termination, the Underwriting Agreement shall terminate (save in respect of the provisions in relation to fees and expenses, indemnity, notices and governing law and any rights or obligations which have accrued under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed. The Irrevocable Undertakings shall lapse upon the termination of the Underwriting Agreement.

## EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	2016
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<b>Announcement of the Rights Issue . . . . .</b>	<b>Tuesday, 8 November</b>
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Last day of dealings in Shares on a cum-rights basis . . . . .	Wednesday, 30 November
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First day of dealings in Shares on an ex-rights basis . . . . .	Thursday, 1 December
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Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Friday, 2 December
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Closure of register of members of the Company for the rights issue (both dates inclusive) . . . . .	Monday, 5 December to Friday, 9 December
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Record Date for determining entitlements to the Rights Issue . . . . .	Friday, 9 December
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Register of members of the Company re-opens . . . . .	Monday, 12 December
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Despatch of Prospectus Documents . . . . .	Monday, 12 December
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First day of dealings in nil-paid Rights Shares . . .	9:00 a.m. on Wednesday, 14 December
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Latest time for splitting nil-paid Rights Shares . . . . .	4:30 p.m. on Friday, 16 December
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Last day of dealings in nil-paid Rights Shares . . .	4:00 p.m. on Wednesday, 21 December
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<b>Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares . . . . .</b>	<b>4:00 p.m. on Wednesday, 28 December</b>
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## 2017

Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Wednesday, 4 January
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Announcement of results of the Rights Issue . . . . .	Thursday, 5 January
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Refund cheques, if any, to be despatched (if the Rights Issue is terminated and in respect of unsuccessful or partially successful application for excess Rights Shares) on or before . . . . .	Friday, 6 January
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Certificates for fully paid Rights Shares to be despatched on or before . . . . .	Friday, 6 January
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Commencement of dealings in fully-paid Rights Shares . . . . .	9:00 a.m. on Monday, 9 January
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The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

## SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,795,829,470 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the date of this announcement to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Committed Shareholders who have provided the Irrevocable Undertakings and no exercise of the outstanding Share Options on or before the Record Date; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Committed Shareholders who have provided Irrevocable Undertakings and full exercise of the outstanding Share Options on or before the Record Date:

Name of Shareholders	As at the date of this announcement		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Committed Shareholders who have provided Irrevocable Undertakings and no exercise of the outstanding Share Options on or before the Record Date		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Committed Shareholders who have provided Irrevocable Undertakings and full exercise of the outstanding Share Options on or before the Record Date	
	Number of	Approximate	Number of	Approximate	Number of	Approximate
	Shares	%	Shares	%	Shares	%
	(Note 1)		(Note 1)		(Note 1)	
<b>Committed Shareholders</b>						
Pearl Garden (Note 2)	428,488,000	15.33	642,732,000	15.33	642,732,000	13.52
Madian Star (Note 3)	428,488,000	15.33	642,732,000	15.33	642,732,000	13.52
Mr. Chen (Note 4)	2,250,000	0.08	3,375,000	0.08	4,575,000	0.10
Mr. Choi (Note 4)	8,500,000	0.30	12,750,000	0.30	39,750,000	0.83
<b>Sub-total of Committed Shareholders</b>	<b>867,726,000</b>	<b>31.04</b>	<b>1,301,589,000</b>	<b>31.04</b>	<b>1,329,789,000</b>	<b>27.97</b>
Mr. Li (Note 4)	—	—	—	—	1,200,000	0.03
Mr. Lee Yuen Chiu Andy (Note 4)	—	—	—	—	5,000,000	0.11
Mr. Phaisalakani Vichai (Note 4)	824,000	0.03	824,000	0.02	824,000	0.02
<b>Public</b>						
Underwriter	—	—	964,051,735	22.99	1,150,976,735	24.20
Others	1,927,279,470	68.93	1,927,279,470	45.95	2,266,729,470	47.67
<b>Total</b>	<b>2,795,829,470</b>	<b>100.00</b>	<b>4,193,744,205</b>	<b>100.00</b>	<b>4,754,519,205</b>	<b>100.00</b>

### Notes:

- The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
- 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.



3. 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.
4. Mr. Chen, Mr. Choi, Mr. Li and Mr. Lee Yuen Chiu Andy are executive Directors, and Mr. Phaisalakani Vichai is an independent non-executive Director.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

## **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries are production of and sale of knitted fabric and dyed yarn and garment products.

With Vietnam entering into various free trade agreements with the European Union, South Korea and Eurasian Economic Union respectively during 2015, tariffs and other barriers to goods imported from Vietnam to these countries have been reduced. Further, negotiations for the Trans-Pacific Partnership (the "TPP"), which was a regional free trade agreement, were recently concluded in October 2015 involving 12 countries, including the United States of America, Vietnam, Japan, Australia and Canada. TPP, if implemented, is likely to result in lower tariffs and fewer trade barriers to goods and services, and trade and investment in these countries, hence giving Vietnam greater market access to major TPP countries such as the United States of America and Japan. It is expected by establishing production facilities in Vietnam not only minimises the Group's operating costs, but also increases the Group's ability to attract other customers to enjoy the benefits under these free trade agreements. The Group intends to establish new production facilities for fabric manufacturing in Vietnam to cope with the growing demand and to strengthen competitiveness of the Group's one-stop vertically integrated business model. Site visits to Vietnam have been conducted in 2016 for the proposed business expansion, and it is expected that the site selection process for the new production facilities in Vietnam will commence in 2017, subject to appropriate circumstances, including the then market and economic conditions.

In addition, the Group plans to enhance the production efficiencies and production capacity for its synthetic fabric segment in order to capture the growing demand from the global market and its existing customers. In 2016, the Group expanded its synthetic fabric production and it intends to further such expansion by pursuing appropriate acquisition opportunities in Taiwan through acquiring technology or production plant to supplement its existing production.

Assuming no outstanding Share Options will be exercised on or before the Record Date, the estimated gross proceeds and net proceeds (after the deduction of the costs and expenses which the Company will incur in the Rights Issue) amount to approximately HK\$349.5 million and HK\$344.5 million, respectively. Assuming the outstanding Share Options will be exercised in full on or before the Record Date, the estimated gross proceeds and net proceeds (after the deduction of the costs and expenses which the Company will incur in the Rights Issue) amount to approximately HK\$396.2 million and HK\$391.2 million, respectively. The estimated expenses of the Rights Issue are about HK\$5.0 million, which include underwriting commission and professional fees payable to the financial advisers, legal counsels, financial printer and other parties involved in the Rights Issue and will be borne by the Company. The Company intends to apply the abovementioned net proceeds from the Rights Issue together

with the remaining proceeds from the placing completed in 17 May 2016 to establish new production facilities for fabric manufacturing in Vietnam and to further expand the Group's synthetic fabric production.

In respect of the establishment of new production facilities for fabric manufacturing in Vietnam, based on the preliminary research conducted by the Group, financial resources are required, ranging from approximately HK\$800.0 million to approximately HK\$900.0 million, for acquisition of land and production plant, construction of power plant, construction of water supply and sewage treatment system and acquisition of machinery and equipment.

Further, financial resources have to be prepared for capturing appropriate opportunities for acquiring synthetic fabric production plant when suitable target is identified. Based on the preliminary research conducted by the Group, such acquisition could improve the Group's technology in synthetic fabric production and enhance productivity and profitability. The Group will take into account various factors when identifying suitable targets, including geographical location, technology and knowhow, customer base and revenue.

The aforesaid proposed business expansion plans are subject to the then market, economic and political conditions and the financial conditions of the Group.

Having considered other fund raising alternatives for the Group, including issuance of debt securities and share placements and taking into account the benefit and costs of each alternative, the Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

## FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

Apart from the fund raising activities set out below, the Company had not conducted any other fund raising activities in the past 12 months immediately preceding the date of this announcement:

Date of announcement/ circular	Event	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
1 February 2016, 2 February 2016 and 15 February 2016	Top-up placing of existing Shares and subscription of new Shares	HK\$55.1 million	For improvement of the Group's environmental protection facilities in the production plants in Xinhui, the PRC	Approximately HK\$55.1 million had been used for upgrading the wastewater treatment system in the production plants in Xinhui, the PRC.
18 March 2016, 13 April 2016, 29 April 2016 and 17 May 2016	Placing of new Shares	HK\$257.0 million	Approximately 50% of the net proceeds for the expansion of the Group's existing fabric manufacturing facilities in the PRC and the remaining approximately 50% for the planned expansion of the Group to establish new production facilities for fabric manufacturing in Vietnam	Approximately HK\$128.5 million had been used for the expansion of the Group's existing fabric manufacturing facilities in the PRC and the remaining HK\$128.5 million will be used together with the net proceeds of the Rights Issue for the establishment of new production facilities for fabric manufacturing in Vietnam (refer to the section headed "Reasons for the Rights Issue and the use of proceeds" in this announcement for details) and expansion of synthetic fabric production.

## ADJUSTMENTS TO OPTIONS GRANTED BY THE COMPANY

Pursuant to the note to Rule 17.03(13) of the Listing Rules, the Company will engage the Company's auditors to review whether or not adjustments to the exercise price of the outstanding Share Options or the number of Shares to be subscribed for under the outstanding Share Options as a result of the completion of the Rights Issue are necessary. The adjustments to the exercise price of the outstanding Share Options, if any, will be disclosed in the Prospectus.

## LISTING RULES IMPLICATIONS

Since the Rights Issue would increase neither the issued share capital nor the market capitalisation of the Company by more than 50%, the Rights Issue is not required to be conditional on approval by the Shareholders under Rule 7.19(6) of the Listing Rules. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both nil paid and fully paid forms.

## GENERAL

The Company will despatch the Prospectus Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Excluded Shareholders (if any) on or about Monday, 12 December 2016.

## **WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES**

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 1 December 2016. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 14 December 2016 to Wednesday, 21 December 2016 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Committed Shareholders”	each of Pearl Garden, Madian Star, Mr. Chen and Mr. Choi who was beneficially interested in 428,488,000 Shares, 428,488,000 Shares, 2,250,000 Shares and 8,500,000 Shares respectively, as at the date of this announcement
“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
“Director(s)”	director(s) of the Company

“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Undertakings”	the irrevocable undertakings, referred to in the sub-section headed “The Irrevocable Undertakings” under the section headed “The Underwriting Agreement”, dated 8 November 2016 and executed by each of the Committed Shareholders in favour of the Company and the Underwriter
“Last Trading Day”	8 November 2016, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 28 December 2016 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Wednesday, 4 January 2017, being the fourth Business Day after the Latest Time for Acceptance, or such other time as may be agreed between the Company and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madian Star”	Madian Star Limited, a company incorporated in the British Virgin Islands and 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 and the chief executive officer of the Company. Madian Star is a substantial shareholder of the Company
“Mr. Chen”	Mr. Chen Tien Tui, an executive Director and the chief executive officer of the Company
“Mr. Choi”	Mr. Choi Lin Hung, an executive Director
“Mr. Li”	Mr. Li Ming Hung, an executive Director and the Chairman of the Board



“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Pearl Garden”	Pearl Garden Pacific Limited, a company incorporated in the British Virgin Islands and 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 and the Chairman of the Board. Pearl Garden is a substantial shareholder of the Company
“Posting Date”	12 December 2016 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	9 December 2016 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Secretaries Limited, the branch share registrar of the Company, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	not less than 1,397,914,735 new Shares (assuming no outstanding Share Options will be exercised on or before the Record Date) and not more than 1,584,839,735 new Shares (assuming the outstanding Share Options will be exercised in full on or before the Record Date) proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue

“Settlement Date”	Friday, 6 January 2017, being the date of the despatch of share certificates, or such later time as may be agreed between the Company and the Underwriter
“Share(s)”	ordinary share(s) in the issued and unissued share capital of the Company of HK\$0.01 each
“Share Options”	the share options granted by the Company pursuant to the share option scheme adopted on 15 March 2011 which give holders thereof the rights to subscribe for Shares at the exercise price determined in accordance with the rules of the share option scheme
“Shareholder(s)”	the holder(s) of the issued Shares
“Specified Event”	an event occurring or a matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which renders any of the warranties contained in the Underwriting Agreement untrue, inaccurate or misleading
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.250 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Underwriter”	Kingston Securities Limited, a corporation licensed to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 8 November 2016 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	an aggregate of not less than 964,051,735 Rights Shares and not more than 1,150,976,735 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement other than those Rights Shares to be taken up under the Irrevocable Undertakings
“%”	per cent

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

Hong Kong, 8 November 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*