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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in Victory City International Holdings Limited, you should at once hand the Prospectus Documents to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). The Prospectus Documents should not, however, be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (WUMP) Ordinance. The Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of the Prospectus Documents.

Dealings in the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC. You should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, 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 the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms 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. You should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of each of the Prospectus Documents, make no representation as to their 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 these documents.

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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)

### RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE AT HK\$0.098 PER RIGHTS SHARE

Underwriter of the Rights Issue



結好證券有限公司  
GET NICE SECURITIES LIMITED

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Capitalised terms used in this cover shall have the same meanings as those defined in this Prospectus.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Wednesday, 10 April 2019. The procedures for acceptance and payment or transfer of the Rights Shares and application and payment for excess Rights Shares are set out on pages 15 to 19 of this Prospectus.

It should be noted that the Rights Issue is fully underwritten and that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company to terminate the obligations of the Underwriters thereunder on the occurrence of certain events including force majeure. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 8 to 9 of this Prospectus. If prior to the Latest Time for Termination, the Underwriter terminates the Underwriting Agreement or if any of the other conditions of the Rights Issue as set out in the paragraphs headed "Conditions of the Rights Issue" contained in this Prospectus is not fulfilled or waived (as applicable), the Rights Issue will not proceed.

Shareholders should note that the existing Shares have been dealt in on ex-rights basis from Thursday, 7 March 2019. The Rights Shares in their nil-paid form will be dealt in from Thursday, 28 March 2019 to Thursday, 4 April 2019 (both days inclusive). Any dealings in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled or waived (as appropriate) 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 and may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

\* for identification purposes only

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## DEFINITIONS

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*In this Prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcement”	the announcement of the Company dated 19 February 2019 in relation to, among other things, the proposed Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bondholder’s Undertakings”	the irrevocable undertakings, referred to in the sub-section headed “The Bondholder’s Undertakings” under the section headed “The Underwriting Agreement”, dated 19 February 2019 and executed by Pearl Garden and Madian Star in favour of the Company and the Underwriter
“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 697,116,000 Shares, 697,116,000 Shares, 3,660,000 Shares and 12,750,000 Shares respectively, as at the Latest Practicable Date
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended or supplemented from time to time
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules

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## DEFINITIONS

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“Convertible Bonds”	the convertible bonds in the amount of HK\$400,000,000 in aggregate issued by the Company to Pearl Garden and Madian Star on 22 September 2017
“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
“Independent Third Parties”	parties independent of and not connected with the Company and its connected persons
“Irrevocable Undertakings”	the irrevocable undertakings, referred to in the sub-section headed “The Irrevocable Undertakings” under the section headed “The Underwriting Agreement”, dated 19 February 2019 and executed by the Committed Shareholders in favour of the Company and the Underwriter
“Last Trading Day”	19 February 2019, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	20 March 2019, being the latest practicable date prior to the publication of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 10 April 2019 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

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## DEFINITIONS

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“Latest Time for Termination”	4:00 p.m. on Tuesday, 16 April 2019, 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
“Optionholder’s Undertakings”	the undertakings executed on 19 February 2019 by the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertakings to the Record Date
“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”	Tuesday, 26 March 2019 or such other date as may be agreed between the Company and the Underwriter, being the date of despatch of the Prospectus Documents

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## DEFINITIONS

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“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this Prospectus
“Prospectus”	this Prospectus issued by the Company in relation to 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”	Friday, 15 March 2019 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 Hong Kong 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)”	2,589,706,603 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the issued and unissued share capital of the Company of HK\$0.01 each
“Share Option Scheme”	the share option scheme of the Company adopted on 15 March 2011 which give holders thereof the rights to subscribe for Shares at the exercise price determined in accordance to the rules of the Share Option Scheme
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme

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## DEFINITIONS

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“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\$0.098 per Rights Share
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Underwriter”	Get Nice Securities Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 19 February 2019 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	an aggregate of 1,884,385,603 Rights Shares to be 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 and assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“US”	the United States of America
“%”	per cent

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## EXPECTED TIMETABLE

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### 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

First day of dealings in nil-paid Rights Shares . . . . . 9:00 a.m. on Thursday,  
28 March 2019

Latest time for splitting nil-paid Rights Shares . . . . . 4:30 p.m. on Monday,  
1 April 2019

Last day of dealings in nil-paid Rights Shares . . . . . 4:00 p.m. on Thursday,  
4 April 2019

#### **Latest time for acceptance of, and payment for the Rights Shares and application for excess Rights Shares . . . . .**

**4:00 p.m. on Wednesday,  
10 April 2019**

Latest time to terminate the Underwriting Agreement  
and for the Rights Issue to become unconditional. . . . . 4:00 p.m. on Tuesday,  
16 April 2019

Announcement of results of the Rights Issue . . . . . Wednesday, 17 April 2019

Refund cheques, if any, to be despatched (if the Rights  
Issue is terminated or in respect of unsuccessful or  
partially successful application for excess Rights  
Shares) on or before . . . . . Thursday, 18 April 2019

Certificates for fully paid Rights Shares to be  
despatched on or before . . . . . Thursday, 18 April 2019

Commencement of dealings in fully-paid Rights Shares. . . . . 9:00 a.m. on Tuesday,  
23 April 2019

All times and dates in this Prospectus refer to Hong Kong local times and dates. The dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied. Should there be any changes to the above expected timetable, the Company will notify the Shareholders by way of announcement as and when appropriate.



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## EXPECTED TIMETABLE

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### EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning

- a. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of abovementioned warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made by the Company in such event.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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### Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination,

- (A) one or more of the following events or matters shall occur, arise, exist, or come into effect:
- (i) the introduction of any new regulation or any change in existing law 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, a 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 the purpose of this Clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the US) occurs; or
  - (vii) the Prospectus when published contain 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 hereof been publicly announced or published by the Company,

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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which event or events is or are in the reasonable 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.**



**VICTORY CITY INTERNATIONAL HOLDINGS LIMITED**  
**冠華國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 539)**

*Executive Directors:*

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

*Registered office:*

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Kan Ka Hon  
Phaisalakani Vichai  
Kwok Sze Chi

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

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

26 March 2019

*To the Qualifying Shareholders and, for information purpose only,  
the Excluded Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF  
ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES  
HELD ON THE RECORD DATE  
AT HK\$0.098 PER RIGHTS SHARE**

**INTRODUCTION**

Reference is made to the Announcement, in relation to, among other matters, the Rights Issue. On 19 February 2019, the Board announced that the Company proposed to raise gross proceeds of approximately HK\$253.8 million on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date by issuing 2,589,706,603 Rights Shares at the Subscription Price of HK\$0.098 per Rights Share. The Subscription Price is 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

\* *for identification purposes only*

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## LETTER FROM THE BOARD

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renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The purpose of this Prospectus is to provide you with, among others, further details on the Rights Issue, certain financial information and other general information on the Group.

### THE RIGHTS ISSUE

The Company proposed to raise approximately HK\$253.8 million (before expenses), which amounts to approximately HK\$249.3 million after deduction of the costs and expenses which the Company will incur in the Rights Issue, details of the Rights Issue are set out as follows:

#### 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\$0.098 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	: 5,179,413,207 Shares
Number of Rights Shares	: 2,589,706,603 Rights Shares
Number of issued shares of the Company upon completion of the Rights Issue	: 7,769,119,810 Shares
Amount to be raised	: Approximately HK\$253.8 million before expenses
Right of excess applications	: Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, there are (i) 282,987,000 outstanding Share Options, which are exercisable during the period from 12 October 2016 to 11 October 2021 at the exercise price of HK\$0.373 per Share (subject to adjustments); and (ii) Convertible Bonds in the amount of HK\$400,000,000 in aggregate, which 1,333,333,334 Shares will be issued upon exercise of the conversion rights under the Convertible Bonds in full at the initial conversion price of HK\$0.30 per conversion Share (subject to adjustments).

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 Latest Practicable Date.

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## LETTER FROM THE BOARD

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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 Latest Practicable Date 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**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder.

Qualifying Shareholders who take up their pro rata entitlements in full under the Rights Issue will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) existing 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 Shareholder(s)**

The Prospectus Documents have not been 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 Shareholder(s), 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 Record Date, there was no Overseas Shareholder.

The Company will send the Prospectus to the Excluded Shareholder(s) (if any) for their information only, but will not send any PAL and EAF to them. Receipt of a copy of the Prospectus does not and will not constitute an offer to the Excluded Shareholder(s).

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## LETTER FROM THE BOARD

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It is the responsibility of any person (including but without limitation to nominee, custodian, agent and trustee) receiving a copy of the Prospectus or the PAL or the EAF outside Hong Kong and wishing to take up the Rights Shares or make an application for excess Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional adviser. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

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 Thursday, 28 March 2019 to Thursday, 4 April 2019 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 Shareholder(s) 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\$0.098 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) the closing price of HK\$0.098 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 14.78% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 10.09% to the theoretical ex-rights price of approximately HK\$0.109 per Share based on the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;

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## LETTER FROM THE BOARD

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- (d) a discount of approximately 14.78% to the average of the closing prices of approximately HK\$0.115 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;
- (e) a discount of approximately 11.71% to the average of the closing prices of approximately HK\$0.111 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;
- (f) a discount of approximately 91.90% to the unaudited net asset value per Share of approximately HK\$1.21 (based on the latest published consolidated net asset value of the Group of approximately HK\$6,267,605,000 as at 30 September 2018 as disclosed in the interim report of the Company for the six months ended 30 September 2018 and 5,179,413,207 Shares in issue as at the Last Trading Day); and
- (g) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 5.22% represented by the theoretical diluted price of HK\$0.109 per Share to the benchmarked price of approximately HK\$0.115 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.115 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.114 per Share).

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 Directors have assessed the closing prices of the Shares as quoted on the Stock Exchange for the past three months from 20 November 2018 and up to and including the Last Trading Day (the “**Review Period**”) ranging from HK\$0.101 to HK\$0.118 and have noted that there was an upward trend of the closing prices of the Shares from 18 January 2019 and up to and including the Last Trading Day from HK\$0.101 to HK\$0.115. The discount of approximately 15% to the closing price on the Last Trading Day was set after taking into account the discount to the subscription price of rights issue announced by companies listed on the Stock Exchange during the Review Period. 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 during the Review Period; (ii) the latest business performance and financial position of the Group; and (iii) the funding and capital needs of the Company.



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## LETTER FROM THE BOARD

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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.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 33.33%.

Based on the considerations above and taking into account the reasons for the Rights Issue and the use of proceeds set out under the section headed “Reasons for the Rights Issue and use of proceeds” of this Prospectus and that the capital base of the Company would be enlarged as a result of the Rights Issue, the Directors are of the view that the terms and structure of the Rights Issue (including the Subscription Price) 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\$0.096.

### **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 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).

### **Procedures for acceptance and payment or transfer**

#### ***PAL — Acceptance, payment and transfer***

The PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If the Qualifying Shareholder(s) wish to take up the provisional allotment of Rights Shares as specified in the PAL in full, they must lodge the PAL in accordance with the instructions

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## LETTER FROM THE BOARD

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printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 10 April 2019. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**Victory City International Holdings Limited — Provisional Allotment Account**" and crossed "**ACCOUNT PAYEE ONLY**". No receipts will be given for such remittances.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar not later than 4:00 p.m. on Wednesday, 10 April 2019, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of their provisional allotment and/or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer part or all of their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Monday, 1 April 2019 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event, the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy itself/himself/herself as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. Any acceptance of the offer of

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## LETTER FROM THE BOARD

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the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the aforesaid representations and warranties. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Rights Shares will be accepted from any person who is an Excluded Shareholder.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Rights Issue as set out under the section headed “Conditions of the Rights Issue” of this Prospectus is not fulfilled and/or waived (as applicable) at or before the time and date specified in the Underwriting Agreement, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post to their respective registered addresses at their own risk by the Registrar on or before Thursday, 18 April 2019.

### *EAF — 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.

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on application in respect of the excess Rights Shares being applied for with the Registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 10 April 2019. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “**Victory City International Holdings Limited — Excess Application Account**” and crossed “**ACCOUNT PAYEE ONLY**”. No receipt will be given for such remittances.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (a) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (b) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;

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## LETTER FROM THE BOARD

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- (c) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and
- (d) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling shareholder of the Company or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Right Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

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.

The allocation of excess Rights Shares (if any) to the Qualifying Shareholders will be announced by the Company on Wednesday, 17 April 2019. If no excess Rights Shares are allotted to the Qualifying Shareholders, it is expected that a cheque for the amount tendered on application will be refunded in full without interest on or before Thursday, 18 April 2019. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the amount of the surplus application monies are also expected to be refunded to them without interest on or before Thursday, 18 April 2019.

All cheques or cashier’s orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or a cashier’s order in payment for the excess Rights Shares applied will constitute a warranty by the applicant that the cheque or cashier’s order will be honoured on first presentation. If any cheque or cashier’s order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

Completion and return of the EAF by anyone outside Hong Kong will constitute a warranty and representation to the Company that all the local registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the EAF and any application under it have been, or will be, duly complied with. For the avoidance of doubt neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

The EAF is for use only by the Qualifying Shareholder(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as shown in the register of members of the Company on the Record Date.

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## LETTER FROM THE BOARD

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If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Rights Issue as set out in the paragraphs headed “Conditions of the Rights Issue” below is not fulfilled at or before the Latest Time for Termination (or such later time or date as the Company and the Underwriter may agree in writing), the remittance received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Thursday, 18 April 2019.

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

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before Thursday, 18 April 2019 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 or before Thursday, 18 April 2019 by ordinary post to the applicants, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Rights Shares.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence at 9:00 a.m. on Tuesday, 23 April 2019.

### **Application for listing**

The Company has applied 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.

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## LETTER FROM THE BOARD

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No part of the securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application for listing of or permission to deal in the Shares, the Rights Shares or any other securities of the Company is being made, or is proposed to be sought, on any other stock exchange.

### THE UNDERWRITING AGREEMENT

On 19 February 2019 (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 all the Rights Shares other than those agreed to be taken up by the Committed Shareholders pursuant to the Irrevocable Undertakings.

Date : 19 February 2019 (after trading hours)

Underwriter : Get Nice Securities Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Total number of Rights Shares to be : 1,884,385,603 Rights Shares  
underwritten by the Underwriter

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

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by 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 Latest Practicable Date, the Committed Shareholders are beneficially interested in an aggregate of 1,410,642,000 Shares, representing approximately 27.24% 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 705,321,000 Rights Shares, respectively; (ii) not



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## LETTER FROM THE BOARD

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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 the Committed Shareholders, as at the Latest Practicable Date, 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.

### **The Bondholder's Undertakings**

As at the Latest Practicable Date, Pearl Garden and Madian Star are the holders of the Convertible Bonds in the amount of HK\$400,000,000 in aggregate, which 1,333,333,334 Shares will be issued upon exercise of the conversion rights under the Convertible Bonds in full at the initial conversion price of HK\$0.30 per conversion Share. Pursuant to the Bondholder's Undertakings, Pearl Garden and Madian Star has provided irrevocable and unconditional undertakings to the Company and the Underwriter not to exercise the conversion rights attached to the Convertible Bonds before the Record Date.

### **The Optionholder's Undertakings**

As at the date of the Announcement, holders of the Share Options have signed the Optionholder's Undertakings not to exercise the Share Options granted to him/her on or before the Record Date.

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

If, prior to the Latest Time for Termination,

- (A) one or more of the following events or matters shall occur, arise, exist, or come into effect:
- (i) the introduction of any new regulation or any change in existing law 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;

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## LETTER FROM THE BOARD

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- (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 the purpose of 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 US) occurs; or
- (vii) the Prospectus when published contain 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 hereof been publicly announced or published by the Company,

which event or events is or are in the reasonable 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.



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## LETTER FROM THE BOARD

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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) each of the Committed Shareholders complying with his/its obligations under their respective Irrevocable Undertakings;
- (e) each of Pearl Garden and Madian Star complying with its obligations under their respective Bondholder's Undertakings;
- (f) each of the holders of the Share Options complying with his/her obligations under their respective Optionholder's Undertakings;
- (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 (f) 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.

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## LETTER FROM THE BOARD

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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 for Acceptance 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.

### INFORMATION ABOUT THE UNDERWRITER

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.

The Underwriter confirmed that (i) it is independent of and not connected with the Company or its connected persons; and (ii) it has complied with Rule 7.19(1)(a) of the Listing Rules that it is licensed under the SFO for Type 1 regulated activity and its ordinary business includes underwriting of securities. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Underwriter and its respective ultimate beneficial owner(s) and/or associates are Independent Third Parties.

### SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 5,179,413,207 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date 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 Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; and (iii) immediately upon completion of the

## LETTER FROM THE BOARD

Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Committed Shareholders who have provided Irrevocable Undertakings:

Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		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	
	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)
<b>Committed Shareholders</b>						
Pearl Garden (Note 2)	697,116,000	13.46	1,045,674,000	13.46	1,045,674,000	13.46
Madian Star (Note 3)	697,116,000	13.46	1,045,674,000	13.46	1,045,674,000	13.46
Mr. Chen (Note 4)	3,660,000	0.07	5,490,000	0.07	5,490,000	0.07
Mr. Choi (Note 4)	12,750,000	0.25	19,125,000	0.25	19,125,000	0.25
<b>Sub-total of Committed Shareholders</b>	1,410,642,000	27.24	2,115,963,000	27.24	2,115,963,000	27.24
Mr. Phaisalakani Vichai (Note 4)	2,000,000	0.04	3,000,000	0.04	2,000,000	0.03
<b>Public</b>						
Underwriter	—	—	—	—	1,884,385,603	24.25
Others	3,766,771,207	72.72	5,650,156,810	72.72	3,766,771,207	48.48
<b>Total</b>	5,179,413,207	100.00	7,769,119,810	100.00	7,769,119,810	100.00

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.
- Madian Star is wholly-owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen's family members.
- Mr. Chen and Mr. Choi 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.

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## LETTER FROM THE BOARD

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The trade war between the US and China escalated with the new tariffs took effect on 24 September 2018 at 10% and may increase to 25% in 2019, which weakened the market's outlook on China's exports and economic prospects. As at the Latest Practicable Date, although such tariffs are not imposed on the Group's products, it is understood that the further furnished goods produced by some of the Group's downstream customers are affected by such tariffs, which in return reduces the amount of orders placed by such downstream customers. At the moment, the management is unable to assess the impact of the trade war to the Group's operation. Facing (i) declining market environment and economic uncertainties in the PRC; (ii) rising trend of interest rates initiated in the US; (iii) tariff retaliations arising from the escalating trade war between the US and China; and (iv) rising material and labour costs, the Group has been actively considering options for strengthening its financial capabilities to improve its gearing ratio.

The report to the 19th CPC National Congress expressly called for the promotion of green development and expansion of the energy saving and environmental protection industry. It focused on the solutions of significant environmental problems, acceleration of water pollution prevention and treatment, enhancement of soil pollution control and restoration, and upgrade of solid waste and garbage disposal. The report also prohibited and set out punishment for damaging the environment. Recently, the PRC also revised certain environmental laws setting out more stringent environmental protection policy, including but not limited on effluent and air pollutants discharge. It is expected that the PRC government will further tighten its environmental policies in the future.

Reference is made to the announcement of the Company dated 25 April 2017 and the circulars of the Company dated 13 June 2017 and 24 July 2017. Due to the expansion of the production facilities in Xinhui, the PRC, the Company used approximately HK\$70 million in upgrading the wastewater treatment plant in enhancing its daily production capacity to cater for the increased production. The management has decided to construct facilities using the electron beam wastewater treatment process in complementing the existing biochemical wastewater treatment facilities in Xinhui, the PRC. Under the current wastewater treatment process of the Group, purifying agents are required to be added into the effluent for further purification before discharge in order to comply with the local environmental laws. Recently, there has been a breakthrough in wastewater treatment process in the PRC by way of using electron beam. Through the use of such wastewater treatment process in complement to the Group's existing wastewater treatment process used in its manufacturing base in Xinhui, the PRC, certain purifying agents are no longer required to be added into the effluent for the treatment process and the purity of effluent is expected to improve by approximately 50% as compared to the Group's existing wastewater treatment process. It is also expected by adopting the electron beam treatment process, the Group is able to comply with the tightening environmental policy on effluent discharge in the near future. Given the above benefits, the management has decided to construct a electron beam wastewater treatment facilities with a daily capacity of approximately 30,000 tonnes for treatment of the effluent by using such electron beam treatment process and it is expected that approximately HK\$20 million can be saved each year on the costs for purifying agents, which will be beneficial to the Group in the long run.

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## LETTER FROM THE BOARD

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In addition, in order to comply with the tightening environmental laws, the management has decided to replace nine existing boilers with a more energy-efficient and environmental-friendly boiler with a capacity of 60 tonnes. Boilers are essential to the Group's production as the steam generated from the boilers maintain the high temperature for the Group's dying process as the fabric requires a precise amount of heat and moisture that is provided by steam. However, the existing boilers use coal as its source of power and generate pollutants such as boiler slag during combustion, which is acidic, toxic, and radioactive. In contrast, the new boiler uses pulverised coal as its source of energy where the combustion is more complete and therefore the efficiency is higher than that of the existing boilers and fewer pollutants will be produced as a result. It is expected that by replacing the existing boilers, the costs of coal and waste handling costs will be reduced by approximately 20% to generate the same amount of energy for the boiler, which will be beneficial to the Group in the long run.

As at 30 September 2018, the Group's bank balances and cash amounted to approximately HK\$2.6 billion, and bank borrowings and convertible bonds due within a year amounted to approximately HK\$2.3 billion and HK\$0.4 billion respectively. Given (i) the Group suffered a cash outflow of approximately HK\$12.2 million for the six months ended 30 September 2018 combined with a decrease in value of cash of approximately HK\$179.1 million due to foreign exchange rate changes; (ii) the management expects that the Group would continue to suffer cash outflow for the six months ending 31 March 2019; (iii) textile industry is a working capital intensive industry with a trade cycle of more than 180 days; (iv) the gearing ratio of the Group, being defined as net debt (representing total bank borrowings net of cash and cash equivalents) to shareholders' funds, increased to approximately 40.0% from approximately 33.4% as at 31 March 2018; and (v) sufficient funding has to be reserved for the construction of overseas construction plant, the Directors consider that the repayment of the Group's bank borrowings and convertible bonds due within a year and other future outstanding liabilities will place certain burden on the Company's financial position. The Directors consider that the current gearing level of the Group is relatively high and do not prefer to further increase the gearing level and create additional debt liabilities to the Group. The Board is of the view that the Rights Issue is necessary to provide sufficient funds for the construction of the electron beam wastewater treatment facilities and the new boiler facilities without using on the Group's internal resources, as well as providing sufficient working capital to the Group, which is reserved for the repayment of the Group's borrowings when they fall due and any unforeseen circumstances as a result of the aforementioned challenges.

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## LETTER FROM THE BOARD

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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\$253.8 million and HK\$249.3 million, respectively. The estimated expenses of the Rights Issue are about HK\$4.5 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 in the following manner:

- (i) as to approximately HK\$100 million for construction of new electron beam waste treatment facilities with a daily capacity of approximately 30,000 tonnes for treatment of effluent in Xinhui, the PRC, of which (a) approximately HK\$30 million will be used for land acquisition, building and construction, which it is expected to be completed by the third quarter of 2019; and (b) approximately HK\$70 million will be used for the construction of the electron beam wastewater treatment facilities, which is expected to be completed by the fourth quarter of 2019. As at the Latest Practicable Date, the Company has already entered into a contract with the relevant contractor for the construction of the electron beam wastewater treatment facilities and the total estimated expenditure relating to the construction of the electron beam wastewater treatment facilities is approximately HK\$100 million;
- (ii) as to approximately HK\$70 million for construction of a more energy-efficient and environmental-friendly new boiler with a capacity of 60 tonnes in Xinhui, the PRC, which is in the process of construction and is expected to be completed by the end of March 2019. The total estimated expenditure relating to the construction of the new boiler is approximately HK\$70 million; and
- (iii) as to approximately HK\$79.3 million as general working capital of the Group to, among others, purchase inventories, repay Group's borrowings and reserve for any foreseen circumstances as a result of the aforementioned challenges.

Reference is also made to the announcements of the Company dated 28 December 2017 and 12 January 2018 in relation to placing of new shares under general mandate (the “**Placing**”). The construction of dyed fabric production in Cambodia is at its early stage as the Company is still in the process of identifying suitable venue for the construction of dyed fabric production. In order to locate the most suitable venue for the construction of dyed fabric production, the Company is also considering constructing its dyed fabric production in Bangladesh as an alternative. The management of the Company has obtained preliminary information in relation to the construction of dyed fabric production and conducted site visits at both Cambodia and Bangladesh. Based on the information currently available to the Company, the net proceeds of the Placing, which amounted to approximately HK\$157.0 million and has not been utilised as at the Latest Practicable Date, is insufficient for the construction of dyed fabric production in Cambodia or Bangladesh. The then existing working capital of the Group and/or other source of funding may also have to be utilised for such construction depending on the size of the joint venture. Given the construction of dyed fabric production is still at its early stage, the timetable and the total capital



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## LETTER FROM THE BOARD

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expenditure requirement for the construction and completion of the dyed fabric production are not available as at the Latest Practicable Date. Announcement will be made by the Company for relevant updates as and when it is required under the Listing Rules.

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

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**

The Company had not conducted any fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

### **ADJUSTMENTS TO OUTSTANDING SHARE OPTIONS AND THE CONVERTIBLE BONDS**

As at the Latest Practicable Date, there were (i) 282,987,000 outstanding Share Options entitling the holders thereof to subscribe for up to 282,987,000 Shares; and (ii) Convertible Bonds which entitle the Bondholders to convert into 1,333,333,334 conversion Shares.

As a result of the Rights Issue, there will be certain adjustments to (i) the exercise prices and number of new Shares to be issued upon exercise of the Share Options; and (ii) the conversion prices and number of conversion Shares to be issued upon conversion of the Convertible Bonds, respectively. Pursuant to the instrument of the Convertible Bonds, conversion Shares shall be allotted and issued under the unconditional specific mandate granted to the Directors by the independent Shareholders on 30 June 2017 to exercise the powers to allot, issue and deal with such number of Conversion Shares as may be required to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds. Pursuant to the relevant terms of the Share Option Scheme and the instruments of the Convertible Bonds, the results of adjustments to (i) the exercise prices

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## LETTER FROM THE BOARD

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and number of new Shares to be issued upon exercise of the Share Options; and (ii) the conversion prices and number of Conversion Shares to be issued upon conversion of the Convertible Bonds, respectively, will be reviewed and certified in writing by the auditor of the Company or an independent financial adviser of the Company. Further announcement will be made by the Company on details of the adjustments upon receiving the aforesaid certifications.

### **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 have been dealt in on an ex-rights basis from Thursday, 7 March 2019. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 28 March 2019 to Thursday, 4 April 2019 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any Shareholder or other person contemplating transferring, selling or purchasing Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholder or other person dealing in 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) and any person dealing in the nil-paid Rights Shares during the period from Thursday, 28 March 2019 to Thursday, 4 April 2019 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

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

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

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



## 1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 March 2018 and the six months ended 30 September 2018 is disclosed in the following documents which have been published on the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (details of website addresses as set out below):

- (a) annual report of the Company for the year ended 31 March 2016 published on 15 July 2016 (pages 45–120)

<http://www.cre8ir.com/static/pdf/00539/2016/LTN20160715373.pdf>

- (b) annual report of the Company for the year ended 31 March 2017 published on 20 July 2017 (pages 55–128)

<http://www.cre8ir.com/static/pdf/00539/2017/LTN20170720221.pdf>

- (c) annual report of the Company for the year ended 31 March 2018 published on 30 July 2018 (pages 74–156)

<http://www.cre8ir.com/static/pdf/00539/2018/LTN20180730347.pdf>

- (d) interim report of the Company for the six months ended 30 September 2018 published on 20 December 2018 (pages 3–45)

<http://www.cre8ir.com/static/pdf/00539/2018/LTN20181220541.pdf>

## 2. INDEBTEDNESS STATEMENT

### **Bank borrowings, convertible bonds and bank overdrafts**

At the close of business on 31 January 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Prospectus, the Group had indebtedness totalling approximately HK\$5,681,491,000 comprising the following:

- (1) secured and guaranteed bank borrowings of approximately HK\$176,301,000 which were secured by the Group's property, plant and equipment, prepaid lease payments, investment properties, and life insurance policies (included in other assets in the consolidated statement of financial position of the Group) as at 31 January 2019;
- (2) unsecured and guaranteed bank borrowings of approximately HK\$4,964,133,000;
- (3) unsecured and unguaranteed bank borrowings of approximately HK\$49,446,000;

- (4) unsecured and unguaranteed liability component of convertible bonds of approximately HK\$386,296,000; and
- (5) unsecured and unguaranteed bank overdrafts of approximately HK\$105,315,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 31 January 2019, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

### **3. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, after taking into account the estimated net proceeds from the Rights Issue, its presently available financial resources, including funds internally generated from operation and the available facilities, the Group will have sufficient working capital for its operation for at least the next twelve months from the date of this Prospectus.

### **4. MATERIAL ADVERSE CHANGE**

The Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

### **5. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

Looking forward to the remainder of 2018/19 and 2019/20, the world economy and the retail market are expected to remain uncertain while consumer sentiments remain sluggish. The Group is prudently optimistic about its performance as the order book and production capacity continue to remain promising while cotton price has been stabilised recently.

For the six months ended 30 September 2018, the Group's unaudited consolidated revenue was approximately HK\$2,725 million, representing an increase of approximately 6.9% as compared to the previous corresponding period (1H2017: HK\$2,547 million). With respect to the textile business, for the six months ended 30 September 2018, production and sale of knitted fabric and dyed yarn remained the major business segment of the Group, accounting for approximately 92.7% of the Group's consolidated revenue. Revenue for the textile segment was approximately HK\$2,524 million, representing an increase of approximately 10.3% from the previous corresponding period (1H2017: HK\$2,288 million). For the six months ended 30 September 2018, cotton price and fuel costs increased noticeably which exerted pressure to all industry players. With dedicated effort of all staff, the Group managed to achieve almost full utilisation of the production capacity to capture the increasing orders, mainly attributable to the Group's continuous strategy of

placing more effort and resources on established mass market customers. High utilisation lifted the operating efficiency and achieved economies of scale. Together with lean management, technology automation, machinery upgrade, cost reduction and control initiatives, the Group managed to offset the rising pressure of operating costs and leveraged down the manufacturing overheads. With respect to the garment business, for the six months ended 30 September 2018, revenue of the garment business was approximately HK\$200 million with a decrease of approximately 22.9% from approximately HK\$260 million in the same period last year. The drop was mainly attributable to the consolidation of our apparel product clientele to focus on customers with more stable order streams and gross profit margin. As previously mentioned, the Group is not directly affected by the trade war between the PRC and the US. The Directors will closely monitor the operating environment to take necessary business measures.

While the Group is planning to direct more resources to the more profitable textile business, the Group will continue to focus on major garment customers with stable orders and profit margin, and leverage on the flexibility in using more garment sub-contractors to maintain competitiveness of the garment business.

In addition, given the tightening environmental policies promulgated by the PRC government over the past few years, the Group decided to upgrade its production and wastewater treatment facilities in Xinhui, the PRC, to comply with the local environmental laws as well as saving energy and the Group's resources in the long run. For further details, please refer to the paragraph headed "Reasons for the Rights Issue and use of proceeds" in the section headed "Letter from the Board" of this Prospectus.

Looking ahead, the Group will continue to strengthen the competitiveness of its vertically integrated business foundation. In the backdrop of having a handful of market opportunities ahead, the Group will endeavour to achieve sustainability and stability of its business so as to secure the best interest of its Shareholders.

**1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 30 September 2018 and taking into account of certain assumptions.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 30 September 2018 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018, as extracted from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2018 included in the published interim report of the Group, and is adjusted for the effect of the Rights Issue described below.

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 immediately after completion of the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 per Share <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 September 2018 immediately after the completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>
Rights Issue of 2,589,706,603 Rights Shares to be issued at Subscription Price of HK\$0.098 per Rights Share				
6,243,470	249,291	6,492,761	1.24	0.85

*Notes:*

- The unaudited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$6,243,470,000 as at 30 September 2018 are extracted from the published interim report of the Group for the six months ended 30 September 2018.

2. The estimated net proceeds from the Rights Issue are based on 2,589,706,603 Rights Shares (as defined in this Prospectus) to be issued at the Subscription Price of HK\$0.098 per Rights Share after deduction of the estimated related expenses of approximately HK\$4,500,000.
3. The calculation of the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 per Share is determined based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$6,243,470,000 divided by the number of shares in issue of 5,031,744,205 as at 30 September 2018.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 per Share immediately after the completion of the Rights Issue is arrived at on the basis that 7,621,450,808 Shares, which represent 5,031,744,205 Shares in issue as at 30 September 2018 and 2,589,706,603 of Rights Shares to be issued pursuant to the Rights Issue assuming that the Rights Issue had been completed on 30 September 2018.
5. No adjustments have been made to the unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2018.

**2. REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

*The following is the text of the independent reporting accountants' assurance report dated 26 March 2019, prepared for the sole purpose of inclusion in this Prospectus, received from independent reporting accountants, Deloitte Touche Tohmatsu, in respect of the unaudited pro forma financial information of the Group.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF VICTORY CITY INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Victory City International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 26 March 2019 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of one Rights Share for every two existing Shares held on the Record Date at HK\$0.098 per Rights Share (the “**Rights Issue**”) on the Group's net tangible assets attributable to owners of the Company as at 30 September 2018 as if the Rights Issue had taken place at 30 September 2018. As part of this process, information about the Group's net tangible assets has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2018, on which a review report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
26 March 2019



## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL AND OPTIONS

### (a) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Rights Issue will be, as follows:

<i>Authorised share capital:</i>		<i>HK\$'000</i>
<u>40,000,000,000</u>		<u>400,000</u>
<i>Issued and fully paid share capital:</i>		
5,179,413,207	Shares in issue as at the Latest Practicable Date	51,794
<u>2,589,706,603</u>	Rights Shares to be issued upon completion of the Rights Issue	<u>25,897</u>
<u>7,769,119,810</u>		<u>77,691</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form.

The Company has applied to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

**(b) Share options**

Details of the outstanding Share Options as at the Latest Practicable Date were as follows:

Name of grantee	Number of underlying Shares subject to outstanding Share options	Date of grant	Exercise price <i>HK\$ per Share</i>	Exercise period
<b>Directors</b>				
<i>Executive Directors</i>				
Mr. Li	—	—	—	—
Mr. Chen	—	—	—	—
Mr. Lee Yuen Chiu Andy	—	—	—	—
Mr. Choi	15,721,500	12 October 2016	0.373	12 October 2016 to 11 October 2021
<i>Independent non-executive Directors</i>				
Mr. Kan Ka Hon	—	—	—	—
Mr. Phaisalakani Vichai	—	—	—	—
Mr. Kwok Sze Chi	—	—	—	—
<b>Others</b>	267,265,500	12 October 2016	0.373	12 October 2016 to 11 October 2021
	<u>282,987,000</u>			

**(c) Convertible Bonds**

Details of the outstanding Convertible Bonds as at the Latest Practicable Date were as follows:

Date of issue	Principal amount <i>HK\$</i>	Conversion period	Maturity date	Conversion price <i>HK\$ per Share</i>	Number of underlying Shares
22 September 2017	400,000,000	22 September 2017 to 23 September 2019	23 September 2019	0.30	1,333,333,334

Save as disclosed in paragraphs 2(b) and 2(c) above, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

As at the Latest Practicable Date, there is no arrangement under which future dividends are waived or agreed to be waived.

## 3. DISCLOSURE OF INTERESTS

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

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

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
Mr. Li	The Company	Founder of a trust	1,712,340,667 Shares (L) (Notes 2 & 4)	—	33.06%
	Victory City Company Limited (Note 16)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%
	Victory City Overseas Limited (Note 16)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	—	39.4%
Mr. Chen	The Company	Founder of a trust	1,712,340,667 Shares (L) (Notes 3 & 4)	—	33.06%
	The Company	Beneficial owner	5,490,000 Shares (L) (Note 5)	—	0.11%
	Victory City Company Limited (Note 16)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%
	Victory City Overseas Limited (Note 16)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	—	39.4%
Mr. Choi	The Company	Beneficial owner	19,125,000 Shares (L) (Note 6)	—	0.37%
	The Company	Beneficial owner	—	15,721,500 Shares (L) (Note 7)	0.30%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Victory City Overseas Limited (Note 16)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	—	21.2%
	Sure Strategy Limited (Note 16)	Interest of controlled corporation	49 ordinary shares of US\$1.00 each (L) (Note 8)	—	49%
	Ford Glory Holdings Limited (Note 16)	Interest of controlled corporation	100 ordinary shares of US\$1.00 each (L) (Note 9)	—	100%
	Ford Glory International Limited (Note 16)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 15)	—	100%
	福之源貿易(上海)有限公司 (Note 16)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 10)	—	100%
	Rocwide Limited (Note 16)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 15)	—	100%
	Jiangmen V-Apparel Manufacturing Ltd. (Note 16)	Interest of controlled corporation	Registered capital of HK\$31,260,000 (L) (Note 11)	—	100%
	One Sino Limited (Note 16)	Interest of controlled corporation	100 ordinary shares of US\$1.00 each (L) (Note 15)	—	100%
	Ford Glory (Cambodia) Manufacturing Limited (Note 16)	Interest of controlled corporation	Registered capital of US\$1,000,000 (L) (Note 12)	—	100%
	Happy Noble Holdings Limited (Note 16)	Interest of controlled corporation	70 ordinary shares of US\$1.00 each (L) (Note 15)	—	70%
	Sky Winner Investment Limited (Note 16)	Interest of controlled corporation	100 ordinary shares of HK\$1.00 each (L) (Note 13)	—	100%
	Mayer Apparel Limited (Note 16)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 15)	—	51%
	Talent Partner Holdings Limited (Note 16)	Interest of controlled corporation	51 ordinary shares of US\$1.00 each (L) (Note 15)	—	51%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Green Expert Global Limited (Note 16)	Interest of controlled corporation	1 ordinary share of US\$1.00 each (L) (Note 14)	—	100%
	Major Time Limited (Note 16)	Interest of controlled corporation	1 ordinary share of HK\$1.00 each (L) (Note 14)	—	100%
	Brilliant Fashion Inc. (Note 16)	Interest of controlled corporation	100 common shares of no par value (L) (Note 15)	—	100%
	Gojifashion Inc. (Note 17)	Interest of controlled corporation	100 common shares of no par value (L) (Note 15)	—	50%
	Just Perfect Holdings Limited (Note 16)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 15)	—	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 16)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 15)	—	100%
Mr. Phaisalakani Vichai	The Company	Beneficial owner	2,000,000 Shares (L)	—	0.04%

*Notes:*

1. The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporations.
2. These Shares were held by Pearl Garden. Pearl Garden is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li’s family members. These Shares include (i) 697,116,000 Shares held by Pearl Garden; (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Pearl Garden on 22 September 2017 at an initial conversion price of HK\$0.30 per conversion share; and (iii) 348,558,000 Rights Shares which Pearl Garden has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.
3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen’s family members. These Shares include (i) 697,116,000 Shares held by Madian Star; (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Madian Star on 22 September 2017 at an initial conversion price of HK\$0.30 per conversion share; and (iii) 348,558,000 Rights Shares which Madian Star has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

4. On 22 September 2017, the Company issued the Convertible Bonds to each of Pearl Garden and Madian Star with a principal sum of HK\$200,000,000 and HK\$200,000,000 respectively for a term of two years. Each of Pearl Garden and Madian Star has the right to convert its portion of the Convertible Bonds for 666,666,667 Shares at an initial conversion price for HK\$0.30 per conversion share upon full exercise of its conversion rights.
5. These Shares include (i) 3,660,000 Shares beneficially owned by Mr. Chen; and (ii) 1,830,000 Rights Shares which Mr. Chen has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.
6. These Shares include (i) 12,750,000 Shares beneficially owned by Mr. Choi; and (ii) 6,375,000 Rights Shares which Mr. Choi has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.
7. On 12 October 2016, Mr. Choi was granted 15,000,000 options under the share option scheme of the Company to subscribe for 15,000,000 Shares, exercisable at a price of HK\$0.391 per Share during a period from 12 October 2016 to 11 October 2021. Upon completion of the rights issue on 6 January 2017, the number of options owned by Mr. Choi was adjusted to 15,721,500 to subscribe for 15,721,500 Shares, exercisable at an adjusted price of HK\$0.373 per Share during a period from 12 October 2016 to 11 October 2021.
8. These shares were held by Merlotte Enterprise Limited. Sure Strategy Limited was owned as to 49% by Merlotte Enterprise Limited, a company wholly owned by Mr. Choi, and as to 51% owned by Victory City Investments Limited, a wholly-owned subsidiary of the Company.
9. These shares were held by Sure Strategy Limited.
10. This registered capital was beneficially owned by Ford Glory International Limited which is a wholly-owned subsidiary of Ford Glory Holdings Limited.
11. The registered capital was beneficially owned as to 40% by Ford Glory Holdings Limited and as to 60% by Rocwide Limited.
12. This registered capital was held by One Sino Limited.
13. These shares were held by Happy Noble Holdings Limited.
14. This ordinary share was beneficially owned by Talent Partner Holdings Limited.
15. These shares or these common shares or this quota capital, as the case may be, was/were beneficially owned by Ford Glory Holdings Limited.
16. These companies are subsidiaries of the Company.
17. Although Gojifashion Inc. is not a subsidiary of the Company, it is an associated corporation (within the meaning of Part XV of the SFO) of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had an interest or short position in any Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

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

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

Name of person/entity	Number of Shares (Note 1)	Capacity	Approximate % of interest
Pearl Garden	1,712,340,667 (L)	Beneficial owner (Note 2)	33.06%
Cornice Worldwide Limited	1,712,340,667 (L)	Interest of controlled corporation (Note 2)	33.06%
Madian Star	1,712,340,667 (L)	Beneficial owner (Note 3)	33.06%
Yonice Limited	1,712,340,667 (L)	Interest of controlled corporation (Note 3)	33.06%
Fiducia Suisse SA	3,424,681,334 (L)	Trustee (Notes 2 and 3)	66.12%
Mr. David Henry Christopher Hill	3,424,681,334 (L)	Interest of controlled corporation (Note 6)	66.12%
Ms. Rebecca Ann Hill	3,424,681,334 (L)	Interest of spouse (Note 7)	66.12%
Ms. Ho Yuen Mui Shirley	1,712,340,667 (L)	Interest of spouse (Note 4)	33.06%
Ms. Or Kwai Ying	1,717,830,667 (L)	Interest of spouse (Note 5)	33.17%
The Underwriter	1,884,385,603 (L)	Underwriter (Notes 8 and 9)	24.25%
Get Nice Financial Group Limited	1,884,385,603 (L)	Interest of controlled corporation (Notes 8 and 9)	24.25%



Name of person/entity	Number of Shares (Note 1)	Capacity	Approximate % of interest
Get Nice Incorporated	1,884,385,603 (L)	Interest of controlled corporation (Notes 8 and 9)	24.25%
Get Nice Holdings Limited	1,884,385,603 (L)	Interest of controlled corporation (Notes 8 and 9)	24.25%

*Notes:*

1. The letter “L” represents the person’s or entity’s interests in the Shares and underlying Shares.
2. These Shares were held by Pearl Garden. Pearl Garden is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li’s family members. Mr. Chen is a director of each of Pearl Garden and Cornice Worldwide Limited. These Shares include (i) 697,116,000 Shares held by Pearl Garden; (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Pearl Garden on 22 September 2017 at an initial conversion price of HK\$0.30 per conversion share; and (iii) 348,558,000 Rights Shares which Pearl Garden has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.
3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen’s family members. Mr. Li is a director of each of Madian Star and Yonice Limited. These Shares include (i) 697,116,000 Shares held by Madian Star; (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Madian Star on 22 September 2017 at an initial conversion price of HK\$0.30 per conversion share; and (iii) 348,558,000 Rights Shares which Madian Star has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.
4. Ms. Ho Yuen Mui Shirley is the wife of Mr. Li.
5. Ms. Or Kwai Ying is the wife of Mr. Chen.
6. These Shares were held by Fiducia Suisse SA as discretionary trustee for Mr. Li’s family members and Mr. Chen’s family members. Fiducia Suisse SA is wholly owned by Mr. David Henry Christopher Hill.
7. Ms. Rebecca Ann Hill is the wife of Mr. David Henry Christopher Hill.
8. These Shares were the Underwritten Shares. The interests are based on the Rights Issue has completed.
9. The Underwriter is wholly owned by Get Nice Incorporated, which is in turn wholly owned by Get Nice Financial Group Limited, which in turn is owned as to 72.99% by Get Nice Holdings Limited, a company incorporated in the Cayman Islands with limited liability which shares are listed on the Main Board of the Stock Exchange (stock code: 0064).

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

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any service agreements proposed which would not expire or be determinable by the members of the Group within one year without payment of compensation (other than statutory compensation).

#### **5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS**

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

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

None of the Directors was or will be given any compensation for loss of office or otherwise in connection with the Underwriting Agreement and/or the Rights Issue.

#### **6. COMPETING INTERESTS**

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

#### **7. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## 8. MATERIAL CONTRACTS

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

- (a) the subscription agreement dated 25 April 2017 and entered into between the Company as the issuer, and Pearl Garden and Madian Star as subscribers, in respect of the issue of the Convertible Bonds of an aggregate principal amount of HK\$400,000,000;
- (b) the supplemental deed dated 10 July 2017 and entered into between the Company, Pearl Garden and Madian Star to change the conversion period of the Convertible Bonds;
- (c) the placing agreement dated 28 December 2017 and entered into between the Company and Kingston Securities Limited as placing agent, in respect of the placing of up to 838,000,000 new shares at placing price of HK\$0.190 per placing share to not less than six placees who are independent of the Company and its connected persons; and
- (d) the Underwriting Agreement.

## 9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this Prospectus:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of their reports or letters or its name in the form and context in which it appears.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not hold any shareholding in the Company or any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries.

Deloitte Touche Tohmatsu did not have any direct or indirect interests in any assets which have been, since 31 March 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu was not materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

## 10. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges payable by the Company are estimated to be approximately HK\$4.5 million.

## 11. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

<b>Registered office</b>	Clarendon House Church Street Hamilton HM 11 Bermuda
<b>Head office and principal place of business in Hong Kong and office address of all Directors and the authorised representative of the Company</b>	Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong
<b>Executive Directors</b>	<div>Li Ming Hung (<i>Chairman</i>) Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong</div> <div>Chen Tien Tui (<i>Chief Executive Officer</i>) Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong</div> <div>Lee Yuen Chiu Andy Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong</div>

**Independent non-executive Directors**

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

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

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

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

**Authorised representatives**

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

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

<b>Company secretary</b>	Lee Chung Shing Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong
<b>Principal share registrar</b>	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM 08 Bermuda
<b>Branch share registrar In Hong Kong</b>	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Auditors and reporting accountants</b>	Deloitte Touche Tohmatsu <i>Certified public accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong
<b>Principal bankers</b>	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong  Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong  First Commercial Bank Limited Room 1101, 11/F, Hutchison House 10 Harcourt Road, Central, Hong Kong  Chong Hing Bank Limited Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong  Fubon Bank (Hong Kong) Limited Fubon Bank Building 38 Des Voeux Road Central Hong Kong

	Cathay United Bank Company, Limited 10/F, Lee Garden Three 1 Sunning Road, Causeway Bay Hong Kong
	CTBC Bank Co., Ltd. 28/F., Two International Finance Centre 8 Finance Street Central, Hong Kong
	China Construction Bank (Asia) Corporation Limited 26/F, CCB Tower 3 Connaught Road Central Central Hong Kong
<b>Stock code</b>	539
<b>Website</b>	<a href="http://www.victorycity.com.hk">www.victorycity.com.hk</a>
<b>Underwriter</b>	Get Nice Securities Limited 10/F, Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
<b>Legal advisers to the Company as to Hong Kong laws</b>	Chiu & Partners 40/F, Jardine House 1 Connaught Place Hong Kong

## 12. PARTICULARS OF THE DIRECTORS AND COMPANY SECRETARY

### Executive Directors

**Mr. Li Ming Hung**, aged 67, is the chairman of the Company and a co-founder of the Group. Mr. Li has been an executive Director since February 1996. He has over 42 years' experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group.

**Mr. Chen Tien Tui**, aged 70, is the chief executive officer of the Company and a co-founder of the Group. Mr. Chen has been an executive Director since February 1996. He has over 40 years' experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group. Mr. Chen resigned from his position as an independent non-executive director of China Lilang Limited, a company listed on the Main Board of the Stock Exchange, on 19 April 2016.



**Mr. Lee Yuen Chiu Andy**, aged 53, has been an executive Director since April 2001. He has over 33 years' experience in the textile industry and is responsible for the overall management of the sales and production of the Group. Mr. Lee joined the Group in 1997.

**Mr. Choi Lin Hung**, aged 56, has been an executive Director since April 2001. He holds a Master in Business Administration and is responsible for the strategic planning and corporate development of the Group. Prior to joining the Group in 2001, Mr. Choi has over 9 years' banking experience and 6 years' management experience in garment and textile industry. Mr. Choi is the chairman of the board of directors and the chief executive officer of Jerash Holdings (US) Inc., a company listed on the NASDAQ Stock Market (NASDAQ: JRSH) on 4 May 2018.

#### **Independent non-executive Directors**

**Mr. Kan Ka Hon**, aged 67, is an independent non-executive Director and was appointed as a Director in March 1996. He graduated from The University of Hong Kong and is a qualified accountant. He is an independent non-executive director of Eminence Enterprise Limited (formerly known as Easyknit Enterprises Holdings Limited), which is a company listed on the Main Board of the Stock Exchange. Mr. Kan has extensive experience in corporate finance, treasury and accounting and has over 30 years' experience at management level in listed companies. Mr. Kan joined the Group in 1996.

**Mr. Phaisalakani Vichai (Andy Hung)**, aged 70, is an independent non-executive Director and was appointed as a Director in March 1996. He graduated from Minnesota State University at Mankato, US and is a chartered professional accountant in Canada as well as a member of Hong Kong Institute of Certified Public Accountants ("HKICPA"). He has worked for an international accounting firm for 11 years and has extensive experience in finance and corporate management with major electronics and garments corporations. Mr. Phaisalakani is an independent non-executive director of Eagle Ride Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Phaisalakani joined the Group in 1996.

**Mr. Kwok Sze Chi**, aged 64, is an independent non-executive Director and was appointed as a Director in March 2006. Mr. Kwok currently holds a registered investment adviser licence and is a director of The Institute of Securities Dealers Limited and a vice chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators Limited. Having served the securities industry for over 40 years, Mr. Kwok has vast experience in securities and futures investment and operation. Since 1985, Mr. Kwok has been invited to appear on television and radio programmes to explain market trends and analyse stock market developments. He also provides professional investment analyses in newspapers and investment websites. Mr. Kwok resigned his position as an executive director of Bright Smart Securities & Commodities Group Limited, a company listed on the Main Board of the Stock Exchange, in February 2017. Mr. Kwok joined the Group in 2006.

**Company secretary**

**Mr. Lee Chung Shing**, aged 51, is the Financial Controller and the Company Secretary of the Group. Mr. Lee is an associate member of the Chartered Institute of Management Accountants and an associate member of HKICPA. Mr. Lee joined the Group in 1998 and has over 30 years' experience in the accounting and finance sector including an international accounting firm and a company listed on the Stock Exchange.

**13. BINDING EFFECT**

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (WUMP) Ordinance, so far as applicable.

**14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Prospectus, the PAL, the EAF and the written consent referred to under the paragraph headed "Expert and consent" in this appendix, has been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (WUMP) Ordinance.

**15. MISCELLANEOUS**

The English text of this Prospectus and the PAL and EAF shall prevail over the Chinese text for the purpose of interpretation.

**16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) at the office of the Company at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday, except public holidays during the period of 14 days from the date of this Prospectus.

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2018;
- (c) the interim report of the Company for the six months ended 30 September 2018;
- (d) the material contracts (including the Underwriting Agreement) as referred to in the section headed “Material contracts” in this appendix;
- (e) the written consent referred to in the section headed “Expert and consent” in this appendix;
- (f) the accountant’s report on the unaudited pro forma financial information of the Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this Prospectus;
- (g) the Irrevocable Undertakings;
- (h) the Bondholder’s Undertakings;
- (i) the Optionholder’s Undertakings;
- (j) the Underwriting Agreement; and
- (k) this Prospectus.