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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)

(1) PROPOSED SHARE CONSOLIDATION; AND (2) PROPOSED CHANGE IN BOARD LOT SIZE

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.10 each.

The Share Consolidation is conditional upon, among other things, the approval of Shareholders at the SGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolution in relation to the Share Consolidation at the SGM.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in the board lot size of 2,000 Existing Shares. Conditional upon the Share Consolidation becoming effective, the Board also proposes to change the board lot size for trading on the Stock Exchange from 2,000 Existing Shares to 4,000 Consolidated Shares with effect from 9:00 a.m. on Wednesday, 12 June 2019.

GENERAL

A circular containing, among other things, (i) further details of the Share Consolidation, and (ii) a notice convening the SGM, is expected to be despatched to the Shareholders on or before Tuesday, 21 May 2019.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.10 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions being satisfied:

- (i) the passing of an ordinary resolution by the Shareholders at the SGM to approve the Share Consolidation; and
- (ii) the Listing Committee of the Stock Exchange granting the approval for listing of, and permission to deal in, the Consolidated Shares to be issued, upon the Share Consolidation becoming effective.

Subject to the satisfaction of all the above conditions, it is expected that the Share Consolidation will become effective on the next business day immediately following the date of the SGM.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$400,000,000 divided into 40,000,000,000 Existing Shares of HK\$0.01 each, of which 7,769,119,810 Existing Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, on the basis that the Company does not allot, issue or repurchase any Existing Shares prior thereto, the authorised share capital of the Company shall become HK\$400,000,000 divided into 4,000,000,000 Consolidated Shares of HK\$0.10 each, of which 776,911,981 Consolidated Shares will be in issue.

Status of the Consolidated Shares

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

Listing Application

An application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Consolidated Shares.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in the board lot size of 2,000 Existing Shares. Conditional upon the Share Consolidation becoming effective, the Board also proposes to change the board lot size for trading on the Stock Exchange from 2,000 Existing Shares to 4,000 Consolidated Shares with effect from 9:00 a.m. on Wednesday, 12 June 2019.

Based on the closing price of HK\$0.086 per Existing Share (equivalent to the theoretical closing price of HK\$0.86 per Consolidated Share) as at the date of this announcement, (i) the value of each existing board lot of Existing Shares is HK\$172; (ii) the value of each board lot of 2,000 Consolidated Shares would be HK\$1,720 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 4,000 Consolidated Shares would be HK\$3,440 assuming that the Change in Board Lot Size had also been effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling the Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Odd lots trading arrangement

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a securities firm to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lots arrangement will be set out in the circular to be despatched to the Shareholders.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may, on or after Wednesday, 12 June 2019 until Friday, 19 July 2019 (both days inclusive), submit share certificates for the Existing Shares (in blue colour) to the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, to exchange, at the expense of the Company, for new share certificates of the Consolidated Shares (on the basis of ten (10) Existing Shares for one (1) Consolidated Share). Thereafter, share certificates of Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher. After close of business on Wednesday, 17 July 2019, share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for certificates for Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

The colour of the new share certificates for the Consolidated Shares will be announced by the Company in due course.

REASONS FOR THE SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. Recently, the Stock Exchange has raised its concern under Rule 13.64 of the Listing Rules as the share price of the Company has been traded at around or below HK\$0.100 per Existing Share at certain time since 20 February 2019.

The proposed Share Consolidation will increase the nominal value of the Shares and reduce the number of Shares currently in issue. It is expected to bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. The Change in Board Lot Size would allow the trading value for each board lot to avoid incompliance with the trading requirements under the Listing Rules. Accordingly, the Board is of the view that the Share Consolidation and the Change in Board Lot Size is in the interests of the Company and the Shareholders as a whole.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation is as follows:

Event	2019
Announcement of the Share Consolidation	Thursday, 2 May
Expected date of despatch of the circular with notice and form of proxy of the SGM	Tuesday, 21 May
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the SGM	4:30 p.m. on Tuesday, 4 June
Closure of register of members for determining the entitlement to attend and vote at the SGM (both dates inclusive)	Wednesday, 5 June to Tuesday, 11 June
Latest date and time for lodging forms of proxy for the SGM	10:00 a.m. on Sunday, 9 June
Date and time of the SGM	10:00 a.m. on Tuesday, 11 June
Announcement of voting results of the SGM	Tuesday, 11 June
Effective date of the Share Consolidation	Wednesday, 12 June

Event**2019**

First day for free exchange of existing share
certificates for new share certificates for the
Consolidated Shares commences Wednesday, 12 June

Commencement of dealings in
Consolidated Shares. 9:00 a.m. on Wednesday, 12 June

Original counter for trading in the Existing Shares
in board lots of 2,000 Existing Shares
(in the form of existing share certificates)
temporarily closes 9:00 a.m. on Wednesday, 12 June

Temporary counter for trading in the Consolidated
Shares in board lots of 200 Consolidated Shares
(in the form of existing share certificates) opens . . 9:00 a.m. on Wednesday, 12 June

Original counter for trading in the Consolidated Shares
in board lots of 4,000 Consolidated Shares
(in the form of new share certificates) re-opens . . 9:00 a.m. on Wednesday, 26 June

Parallel trading in the Consolidated Shares
(in form of new share certificates and
existing share certificates) commences 9:00 a.m. on Wednesday, 26 June

Designated broker starts to stand in the market
to provide matching services for odd lots
of the Consolidated Shares 9:00 a.m. on Wednesday, 26 June

Temporary counter for trading in the Consolidated
Shares in board lots of 200 Consolidated Shares
(in the form of existing share certificates) closes . . 4:00 p.m. on Wednesday, 17 July

Parallel trading in Consolidated Shares
(in form of new share certificates and existing
share certificates) ends 4:00 p.m. on Wednesday, 17 July

Designated broker ceases to stand in the market
to provide matching services for odd lots of
the Consolidated Shares 4:00 p.m. on Wednesday, 17 July

Last day for free exchange of existing share
certificates for new share certificates
for the Consolidated Shares Friday, 19 July

All times and dates in this announcement refer to Hong Kong local times and dates. The expected timetable set out above is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

Adjustments in relation to other securities of the Company

As at the date of this announcement, there were 689,050,000 Share Options granted under the Share Option Scheme entitling the holders thereof to subscribe for up to 689,050,000 Existing Shares. Under the relevant terms and conditions thereof, the Share Consolidation may lead to adjustments to the exercise price and/or the number of shares of the Company falling to be issued upon exercise of the Share Options pursuant to the terms thereof. Assuming there is no other adjustment event under the relevant share option scheme other than the Share Consolidation becoming effective, the Share Options will entitle the holders thereof to subscribe for up to 68,905,000 Consolidated Shares in aggregate.

As at the date of this announcement, the Existing Convertible Bonds with the aggregate principal amount of HK\$400,000,000 entitling the bondholders to convert into 1,333,333,334 Existing Shares at the initial conversion price of HK\$0.30 per Existing Share. Pursuant to the terms and conditions of the Existing Convertible Bonds, the conversion price of the Existing Convertible Bonds and the number of Existing Shares falling to be allotted and issued upon conversion of the Existing Convertible Bonds shall be adjusted as a result of the placing of new shares completed 18 January 2018, the issue of new shares under the final dividend of HK\$1.0 cent per Existing Share for the year ended 31 March 2018 in the form of scrip dividend, the rights issue completed on 18 April 2019 and the Share Consolidation.

Reference is also made to the announcement of the Company dated 26 April 2019, it is intended that the Existing Convertible Bonds will be redeemed by issuance of the New Convertible Bonds with the aggregate principal amount of HK\$400,000,000 entitling the bondholders to convert into 3,773,584,906 Existing Shares at the initial conversion price of HK\$0.106 per Existing Share, which is subject to completion of the Subscriptions. Assuming the Subscriptions have been completed and there is no other adjustment event under the terms of the New Convertible Bonds other than the Share Consolidation becoming effective, the New Convertible Bonds will entitle the bondholders to convert into 377,358,490 Consolidated Shares at the conversion price of HK\$1.06 per Consolidated Share.

Further announcement will be made by the Company in respect of the above adjustments as and when appropriate.

Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Existing Shares as at the date of this announcement.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation.

A circular containing, among other things, further details of the Share Consolidation and a notice of the SGM is expected to be despatched to the Shareholders on or before Tuesday, 21 May 2019. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolution in relation to the Share Consolidation at the SGM.

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” above in this announcement. Accordingly, the Share Consolidation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

DEFINITIONS

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

“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Existing Shares for the trading on the Stock Exchange from 2,000 Existing Shares to 4,000 Consolidated Shares
“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
“Consolidated Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Director(s)”	director(s) of the Company
“Existing Convertible Bonds”	the convertible bonds in the amount of HK\$400,000,000 in aggregate issued by the Company on 22 September 2017

“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“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 People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Convertible Bonds”	the HK\$400,000,000 five (5) per cent. convertible bonds due 2021 (extendable to 2024 by agreement) to be issued by the Company to Pearl Garden Pacific Limited and Madian Star Limited pursuant to the Subscription Agreement
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among others, the Share Consolidation and the transactions contemplated thereunder
“Share(s)”	Existing Share(s) or Consolidated Share(s), as the case maybe
“Share Consolidation”	the proposed consolidation of every ten (10) Existing Shares of HK\$0.01 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of HK\$0.10 each in the issued and unissued share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 15 March 2011
“Share Options”	options to subscribe for new Shares granted under the Share Option Scheme
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the conditional subscription agreement dated 26 April 2019 and entered into among the Company, Pearl Garden Pacific Limited and Madian Star Limited in relation to the Subscriptions

“Subscriptions” the subscriptions of the New Convertible Bonds pursuant to the terms of the Subscription Agreement

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

Hong Kong, 2 May 2019

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

** for identification purposes only*