

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



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

DISCLOSEABLE TRANSACTION DISPOSAL OF LAND USE RIGHTS

The Board is pleased to announce that on 3 July 2019, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Purchaser agreed to purchase the land use rights of the Land from the Vendor at a consideration of RMB120 million (equivalent to approximately HK\$134.4 million).

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal are more than 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 3 July 2019, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Purchaser agreed to purchase the land use rights of the Land from the Vendor. Details of the Agreement are set out below.

THE AGREEMENT

Date

3 July 2019 (after trading hours)

Parties

- (i) Vendor: Nanjing Synergy Textiles Limited* (南京新一棉紡織印染有限公司)
- (ii) Purchaser: Nanjing Binjiang Investment Development Co., Ltd.* (南京濱江投資發展有限公司)

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the Agreement, the Purchaser agreed to purchase, and the Vendor agreed to dispose of, the land use rights of the Land, being a piece of state-owned land with an area of approximately 260.5 mu (equivalent to approximately 173,628.4 sq. m.) held by the Vendor and located at No. 2, Sheng'an Avenue, Binjiang Development Zone, Jiangning District, Nanjing, Jiangsu Province, the PRC. As at the date of the announcement, the Vendor held approximately 500 mu (equivalent to approximately 333,259.8 sq. m.) of the state-owned land located at No. 2, Sheng'an Avenue, Binjiang Development Zone, Jiangning District, Nanjing, Jiangsu Province, the PRC, of which the Land with an area of approximately 260.5 mu (equivalent to approximately 173,628.4 sq. m.) is currently idle, and the remaining 239.5 mu (equivalent to approximately 159,631.4 sq. m.) is used by the Vendor for the manufacturing of yarn.

The preliminary valuation of the Land amounted to approximately RMB150.7 million (equivalent to approximately HK\$168.8 million).

Consideration

The Consideration for the disposal of the Land is RMB120 million (approximately HK\$134.4 million), which shall be paid by the Purchaser in cash within 10 business days upon signing of the Agreement. The Vendor shall deliver, among others, the land use rights certificate, to the Purchaser within 10 business days upon receiving the Consideration by the Vendor.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms with reference to, among others, the carrying value of the Land of approximately RMB64.2 million as at 31 March 2019, the preliminary valuation and the market price of the Land.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the announcement (the “**Annual Results Announcement**”) of the Company in relation to the annual results for the year ended 31 March 2019, despite the trade-war between the PRC and the United States does not have direct business effect on the Group as the Group does not export finish products directly from the PRC to the United States, the indirect and long term impact remain unseen. The Group will continue to, among others, to expand to new markets and regions to mitigate operation risks. As stated in the Annual Results Announcement, the Group has been actively seeking appropriate location for a new production base in Bangladesh with a view to lowering the average manufacturing costs and risk diversification.

Given that the Land is currently idle and did not generate any income or revenue, the Board is of the view that the Disposal is beneficial to optimising the Company’s resource allocation, and improving the Company’s liquidity needs and financial position. At the same time, given that the trade-war between the PRC and the United States has escalated with higher tariffs imposed on Chinese goods recently, the Group has been considering to construct dyed fabric production in either Cambodia or Bangladesh. The Board considers that the Disposal is in line with the current expansion plan of the Group as described below.

As set out in the prospectus of the Company dated 26 March 2019 and the circular (the “**Circular**”) of the Company dated 5 June 2019, the management of the Company is in the process of identifying suitable venue in Cambodia or Bangladesh for the construction of the implementation of the Expansion. The Directors are of the view that the Expansion is in the interest of the Group and shareholders as a whole as the costs of production in Cambodia and Bangladesh is lower than that in the PRC, and the advantage of lower import tax for textile products to those customers in Europe and the United States as compared to that of the PRC, thereby increasing the Group’s overall competitiveness in capturing more business opportunities from potential customers in Europe and the United States. As such, the Group is planning to relocate the entire manufacturing base in Nanjing for yarn manufacturing to Bangladesh. The Expansion will be invested together with a business partner, who has over 20 years’ experience in garment manufacturing, with scaled operation in Bangladesh. The manufacturing base to be constructed in Bangladesh will be used for the yarn manufacturing and fabric production. As at the date of this announcement, the management of the Company has identified a suitable site for the Expansion and has discussed with relevant government authorities for acquisition of the relevant land. It is expected that an agreement will be entered into with the relevant government authorities in or about September 2019, followed by the completion of acquisition of land and commencement of the construction of a manufacturing plant for the yarn spinning and fabric production in or about December 2019.

Although the Agreement is not entered in the ordinary and usual course of business of the Group, the Board considers that the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

It is estimated that the Group will realise a gain from the Disposal of approximately RMB55.8 million (equivalent to approximately HK\$62.5 million) (subject to audit), being the difference between the Consideration and the carrying amount of the Land.

It is expected that the net proceeds from the Disposal (after deducting all relevant fees and expenses) will be used for the repayment of bank loans of the Vendor.

INFORMATION ABOUT THE GROUP AND THE VENDOR

The Company is an investment holding company. The Group is principally engaged in the production and sale of knitted fabric, dyed yarn and garment products. The Vendor is principally engaged in the manufacturing and trading of yarn.

INFORMATION ABOUT THE PURCHASER

The Purchaser is a limited liability company established in the PRC and controlled by State-owned Assets Supervision and Administration Office of the People's Government of Jiangning District, Nanjing* (南京市江寧區人民政府國有資產監督管理辦公室), a government organisation which is responsible for the supervision and management of state-owned assets. The Purchaser is principally engaged in, among others, high-tech products, economic park development and infrastructure construction.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal are more than 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the agreement dated 3 July 2019 and entered into between the Purchaser and the Vendor in relation to the Disposal
“Board”	the board of Directors
“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 to it under the Listing Rules
“Consideration”	the consideration of the Disposal, being RMB120 million (equivalent to approximately HK\$134.4 million)
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Land by the Vendor to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a piece of state-owned land with an area of approximately 260.5 mu (equivalent to approximately 173,628.4 sq. m.) held by the Vendor and located at No. 2, Sheng’an Avenue, Binjiang Development Zone, Jiangning District, Nanjing, Jiangsu Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 announcement

“Purchaser”	Nanjing Binjiang Investment Development Co., Ltd.* (南京濱江投資發展有限公司), a limited liability company established in the PRC and controlled by the State-owned Assets Supervision and Administration Office of the People’s Government of Jiangning District, Nanjing* (南京市江寧區人民政府國有資產監督管理辦公室), a government organisation
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company of HK\$0.1 each
“Shareholder(s)”	the holder(s) of the issued Shares
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Nanjing Synergy Textiles Limited* (南京新一棉紡織印染有限公司), an indirectly wholly-owned subsidiary of the Company
“%”	per cent

For the purpose of this announcement, conversion of RMB into HK Dollars is based on the approximate exchange rate of RMB1.0 to HK\$1.12. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK Dollars or RMB have been, could have been or may be converted at such or any other rate or at all.

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

Hong Kong, 3 July 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*