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VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 539)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF PROPERTY

THE PROVISIONAL AGREEMENT

The Board is pleased to announce that on 24 December 2020 (after trading hours), the Vendor, a non-wholly owned subsidiary of the Company, entered into the Provisional Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Property, being an office premises in Hong Kong, at a consideration of HK\$33 million.

IMPLICATIONS UNDER THE LISTING RULES

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 24 December 2020 (after trading hours), the Vendor, a non-wholly owned subsidiary of the Company, entered into the Provisional Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Property, being an office premises in Hong Kong, at a consideration of HK\$33 million. Details of the Provisional Agreement are set out below:

THE PROVISIONAL AGREEMENT

Date

24 December 2020 (after trading hours)

Parties

- (i) Vendor: Ford Glory International Limited (as vendor)
- (ii) Purchaser: Ever Winland Limited (as purchaser)

Subject matter

Pursuant to the Provisional Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Property. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information provided by the Vendor as at the date of this announcement, the Property is currently leased to the Tenant. Details of the existing tenancy arrangement regarding the Property are set out below:

	Rental	Current term of tenancy
The Property	HK\$119,540 per month (inclusive of management fees, rates and government rent)	From 3 October 2020 to 2 October 2022

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information provided by the Vendor as at the date of this announcement, prior to the term of the current tenancy arrangement, the Property was leased by the Vendor to the Tenant with a monthly rental of HK\$119,540 (inclusive of management fees, rates and government rent) between 3 October 2018 and 2 October 2020. Based on the current information available to the Company in respect of the rental of the Property during the two years immediately preceding the date of the Provisional Agreement, the Group would have generated net profit before and after taxation of approximately HK\$2,371,000 and HK\$1,979,785 respectively for the two years immediately preceding the date of the Provisional Agreement from the rental income in respect of the Property.

The Property will be delivered with existing tenancy upon Completion.

As at 30 September 2020, the carrying value of the Property amounted to approximately HK\$48.3 million in aggregate.

Consideration

The Consideration for the Disposal is HK\$33 million, which shall be paid by the Purchaser by way of cash in the following manner:

1. HK\$1,000,000 has been paid as initial deposit upon signing of the Provisional Agreement;
2. HK\$2,300,000 shall be paid as additional deposit upon signing of the Formal Agreement, which shall be signed on or before 7 January 2021; and
3. the remaining balance of HK\$29,700,000 shall be paid on the Completion Date.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms.

Stamp duty

All stamp duty shall be borne by the Purchaser.

Conditions precedent

Completion is conditional upon the compliance with the relevant applicable requirements under the Listing Rules.

Should the Disposal fail to comply with the relevant requirements under the Listing Rules, the Vendor shall refund the deposit received to the Purchaser in full, without the deduction of fines or expenses. Upon receipt of the refund of such deposit by the Purchaser, the Provisional Agreement shall terminate and no party shall have any claim against the other.

Formal Agreement

Pursuant to the Provisional Agreement, the Formal Agreement shall be signed on or before 7 January 2021.

Completion

Subject to fulfillment of the conditions precedent as set out in the Provisional Agreement, Completion shall take place on or before 28 February 2021. Upon Completion, the Property will be delivered with existing tenancy and the Property will cease to be held by the Group.

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 trading of garment products.

INFORMATION ABOUT THE PURCHASER

The Purchaser is a limited liability company incorporated in Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is principally engaged in investment holding business. So far as the Company is aware, as at the date of this announcement, the Purchaser is owned as to 50% by Wong Bing Lun and 50% by Chow Lai Ming.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party. Save for the Disposal, each of the Purchaser and its ultimate beneficial owner(s) has no past or present relationship with the Group and its connected persons.

INFORMATION ON THE PROPERTY

The Vendor, a non-wholly owned subsidiary of the Company, is the owner of the Property, details of which are set out below:

Address	Usage	Attributable interests to the Group as at the date of this announcement and immediately before Completion
Unit A, 19/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	Office/commercial	51%

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Property will cease to be held by the Group. It is estimated that the Group will realise a loss from the Disposal of approximately HK\$15.3 million (subject to audit), being the difference between the Consideration and the carrying value of the Property as of 30 September 2020, of which approximately HK\$7.8 million and HK\$7.5 million will be attributable to owners of the Company and non-controlling interests, respectively.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The on-going COVID-19 pandemic have caused uncertainty to the global economy and affected the Vendor's operations. In view of the economy caused by the outbreak of COVID-19, the Vendor has been taking proactive steps to enhance its cash flow.

As such, having considered the current market value of the Property (with reference to the market value of similar properties within the same area), alongside with the current property market conditions in Hong Kong, the Board considers that the Disposal, even though it realises a loss, if materialises, still represents a good opportunity for the Vendor to enhance the cash flow of the Vendor to consolidate its financial position within a short period of time.

It is expected that the net proceeds from the Disposal (after deducting all relevant fees and expenses) of approximately HK\$32.9 million will be reserved for the repayment of bank borrowings of the Vendor as well as general working capital of the Vendor.

The terms of the Provisional Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Provisional Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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:

“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
“Completion”	completion of the Disposal
“Completion Date”	date of Completion, being on or before 28 February 2021
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration of the Disposal, being HK\$33 million
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Property by the Vendor to the Purchaser pursuant to the Provisional Agreement
“Formal Agreement”	the formal agreement for the Disposal, which will be signed on or before 7 January 2021 pursuant to the Provisional 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
“Independent Third Party(ies)”	person(s) who is(are) independent of and not connected with the Company and its connected persons
“Jerash Holdings”	Jerash Holdings (US) Inc., a company incorporated in the United States, whose shares are listed on the NASDAQ (NASDAQ: JRSH)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Choi”	Mr. Choi Lin Hung, who has resigned from his position as an executive Director on 9 November 2020 and indirectly held approximately 38.02% of the issued share capital of the Tenant as at the date of this announcement
“NASDAQ”	The NASDAQ (National Association of Securities Dealers Automated Quotation System) Global Selected Market in the United States
“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
“Property”	an office premises with gross area of approximately 5,735 square feet held by the Vendor and located at Unit A, 19/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong
“Provisional Agreement”	the provisional agreement dated 24 December 2020 and entered into between the Purchaser and the Vendor in relation to the Disposal

“Purchaser”	Ever Winland Limited (永綸有限公司), a limited liability company incorporated in Hong Kong, which is owned as to 50% by Wong Bing Lun and 50% by Chow Lai Ming as at the date of this announcement, each being an Independent Third Party
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	Treasure Success International Limited (寶陞國際有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Jerash Holdings, which is held by Mr. Choi as to approximately 38.02%
“United States”	the United States of America
“Vendor”	Ford Glory International Limited (福源國際有限公司), a limited liability company incorporated in Hong Kong and a non-wholly owned subsidiary of the Company, indirectly owned as to 51% by the Company and 49% by Mr. Choi as at the date of this announcement
“%”	per cent

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

Hong Kong, 28 December 2020

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

* *for identification purposes only*