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VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

*(Joint provisional liquidators appointed)
(For restructuring purposes only)
(Incorporated in Bermuda with limited liability)
(Stock Code: 539)*

INSIDE INFORMATION — (1) WINDING UP PETITION; (2) APPOINTMENT OF JOINT PROVISIONAL LIQUIDATORS FOR RESTRUCTURING PURPOSES ONLY

This announcement is made by Victory City International Holdings Limited (the “**Company**”) pursuant to Rules 13.09(2)(a) and 13.25(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

PETITION FOR WINDING UP THE COMPANY AND APPOINTMENT OF JOINT PROVISIONAL LIQUIDATORS

On 11 February 2021, a winding up petition together with an application (the “**JPL Application**”) for the appointment of joint and several provisional liquidators of the Company (for restructuring purposes) (the “**JPLs**”) on a “light touch” approach for restructuring purposes was presented and filed with the Supreme Court of Bermuda (the “**Bermuda Court**”) by the Company.

The JPL Application was heard on 12 February 2021 at 8:45 a.m. (Bermuda time) by the Bermuda Court, which has ordered (the “**Order**”) that, amongst others:

1. Mr. Lai Wing Lun and Mr. Osman Mohammed Arab of RSM Corporate Advisory (Hong Kong) and Mr. Edward Alexander Niles Whittaker of R&H Services Limited, were appointed as JPLs of the Company;

2. The powers of the JPLs appointed pursuant to paragraph 1 above shall be limited to the following:
- (a) to review the financial position of the Company;
 - (b) to monitor the continuation of the business of the Company by the existing board of directors of the Company (the “**Board**”);
 - (c) to monitor, consult with, oversee and otherwise liaise with the existing Board and the creditors and shareholders of the Company in determining the most appropriate manner of effecting a reorganization and/or refinancing of the Company;
 - (d) the JPLs shall be entitled to receive advance materials, receive advance notice of, and, at the expense of the Company, attend all Board meetings and such meetings of management as the JPLs request and shall be consulted prior to:
 - (i) the sale or other disposition of any business, operation, subsidiary, division or other significant asset of the Company;
 - (ii) the restructuring of any existing indebtedness by the Board, scheme of arrangement or otherwise;
 - (iii) the terms of any new investment in the Company; and
 - (iv) the incurrence of indebtedness or borrowing of money, whether pursuant to agreements with suppliers or pursuant to loan arrangements with financing institutions, and the granting of security in respect of the same, and the guaranteeing of such indebtedness or borrowings of affiliates.
 - (e) to provide a written report to the Bermuda Court from time to time and as the Bermuda Court may otherwise request;
 - (f) to retain and employ barristers, attorneys and solicitors, and such other agents and professional persons as the JPLs deem fit, in Bermuda and elsewhere as the JPLs deem appropriate for the purpose of advising and assisting in the execution of their powers;
 - (g) to render and pay invoices out of the assets of the Company for the JPLs own remuneration at their usual and customary rates (and this shall include all costs, charges and expenses of his attorneys and all other agents, managers, accountants and other persons that the JPLs may employ), subject to such arrangements as may be agreed with the Company in the context of the overall restructuring process;

- (h) if deemed necessary, and in the interests of the creditors and shareholders of the Company, to seek the assistance of or recognition in any other courts as may be considered appropriate;
 - (i) to set up, maintain and control bank accounts (whether jointly with the Company or otherwise) at any bank or financial institutions situated in Bermuda or elsewhere as appropriate, in their own name or in the name of the Company, and accept deposits into and pay monies into such accounts for the purpose of meeting the payment of the fees and expenses of the JPLs, including all costs, charges and expenses of his attorneys and all other agents, managers, accountants and other persons that he may employ subject to the appropriate procedures being agreed with the Company and the creditors as to how fees will be determined;
 - (j) if agreed by the Company to be appropriate, to work with the Company to draft a scheme of arrangement under the provisions of section 99 of the Companies Act (2021 Revision) (the “**Companies Act**”) between the Company and its creditors and/or shareholders to give effect to and/or to facilitate a reorganization and/or refinancing of the Company and to seek whatever directions are required in respect thereof from the Bermuda Court for proposing and implementing such a scheme; and
 - (k) to do all things necessary and incidental to the exercise of the foregoing powers.
3. Notwithstanding section 166 of the Companies Act, the Company shall be permitted to continue to operate bank accounts in its name, and the Company shall be permitted to register the transfer of fully paid-up shares in the Company; and
 4. Save as those specifically set out in the Order, the JPLs will have no general or additional powers or duties with respect to the property or records of the Company and the Board shall continue to manage the Company’s affairs in all respects and exercise the powers conferred upon it by the Company’s Memorandum of Association and Bye-laws, provided always that, should the JPLs consider at any time that the Board is not acting in the best interests of the Company and its creditors and shareholders, the JPLs shall have the power to report same to the Bermuda Court and seek such directions from the Bermuda Court as the JPLs consider appropriate.

Upon the grant of the Order by the Bermuda Court and in accordance with section 167(4) of the Companies Act, no action or proceeding shall be proceeded with or commenced against the Company except by leave of the Bermuda Court and subject to such terms as the Bermuda Court may impose.

Section 166 of the Companies Act provides that:

“(1) In a winding-up by the Court, any disposition of the property of the company, including things in action, and any transfer of shares, or alteration in the status of the members of the company, made after the commencement of the winding-up, shall, unless the Court otherwise orders, be void.

(2) Where any company is being wound up by the Court, any attachment, sequestration, distress or execution put in force against the estate or effects of the company after the commencement of the winding up shall be void to all intents.”

Since permission has been granted by the Bermuda Court for the Company to register transfer of fully paid shares in the Company notwithstanding the provision of section 166 of the Companies Act, it is unnecessary to take out an application for a validation order with respect to transfer of fully paid share(s) in the Company.

The JPLs will apply to the High Court in Hong Kong in due course to obtain recognition of the Order in respect of the appointment of the JPLs with the power conferred to them pursuant to the Order.

The Company will make further announcement(s) to provide updates to the shareholders and potential investors of the Company as and when appropriate in respect of the development of any restructuring proposal and the development of the relevant court proceedings.

REASONS FOR THE WINDING-UP PETITION AND APPLICATION OF JPLS ON LIGHT TOUCH APPROACH

References are made to the Company’s announcements dated 14 December 2020, 23 December 2020, 18 January 2021, 3 February 2021 and 9 February 2021 regarding on the unfulfillment of a scheduled repayment to a banking facility with a syndicate of banks dated 12 December 2017 and the statutory demands from the Chong Hing Bank Limited, The Hong Kong and Shanghai Banking Corporation Limited, a syndicate of banks and DBS Bank (Hong Kong) Limited (collectively, the “SDs”) respectively.

Due to the negative impacts of the COVID-19 pandemic and the intensified geopolitical tension between the People’s Republic of China and the United States (the “US”) on the economic activities and consumption behaviours, as well as the fluctuating cotton price affecting the Company’s pricing position, the Company and its subsidiaries (the “Group”) encountered difficulties in its profitability and cash flow liquidity. In addition, due to the allegation of Nanjing Synergy Textiles Limited* (南京新一棉紡織印染有限公司) (“Nanjing Synergy”), a subsidiary of the Company which has ceased its operations since 2019, in violation in human rights resulting in its name being placed to the Entity List by the Department of Commerce of the US on 20 July 2020, the offshore creditors have tightened their credit policy and taken a more cautious and prudent approach in granting new bank facilities to the Group or refinancing the Group’s existing

bank borrowings towards the Group. In some occasions, the Group has even experienced withdrawal, reduction and cancellation of banking facilities by those creditors. As a result, the financial position of the Group has been adversely affected. As a consequence, the Group has not been able to meet the scheduled repayment in the amount of approximately HK\$290 million by its due date. Subsequently, the Group has received the SDs to make repayments. As at the date of this announcement, the debts of the Group demanded in the SDs remain due and outstanding.

To remediate from the distressed position, the Board actively seeks solutions and commits to overcome the challenges encountered by the Group. After due considerations, the Board believes that the appointment of JPLs will set a proper environment for the restructuring on the grounds that (1) the Board can continue to manage the Group's business operation, which is structurally and operationally healthy, (2) the JPLs will guide and help the Board to formulate and/or oversee the implementation of the restructuring plan, and (3) the assets, especially the immovable state-of-the-art plants and machineries, can operate to generate revenue as a whole instead of being fire sale at minimal value. As such, the Board considered that the JPL Application will help to preserve the assets and value of Company and is in the best interests to protect the shareholders, the creditors and other stakeholders of the Company.

Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Company's shares or other securities of the Company.

By order of the Board
Victory City International Holdings Limited
(Joint provisional liquidators appointed)
(For restructuring purposes only)
Li Ming Hung
Chairman and executive director

Hong Kong, 16 February 2021

As at the date of this announcement, the executive directors of the Company 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 of the Company are Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi.

* *For identification purposes only*