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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

This announcement is made by Victory City International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to announce that, during the course of the debt restructuring of the Company, the management of the Company was provided with a copy of a joint credit limit contract dated 11 December 2020 (the “**Contract**”) entered into between 江門市新會區冠華針織廠有限公司 (Jiangmen Xinhui Victory City Co., Limited) (“**Xinhui Victory**”), a subsidiary of the Company, as borrower and certain banks as lenders, pursuant to which the lenders agreed to grant a credit facility (the “**Credit Facility**”) in the total amount of RMB994.01 million to Xinhui Victory. As the Hong Kong management of the Company was not previously aware of the Contract and the Credit Facility, they immediately requested the chief accountant of Xinhui Victory (“**PRC Subsidiary Accountant**”) to ascertain the existence and background of the Contract, and to provide further information, including the drawdown and latest status of the Credit Facility under the Contract, and other relevant documentation. However, as at the date of this announcement, the Hong Kong management of the Company is still in the course of requesting and obtaining from the PRC Subsidiary Accountant, who has been taking medical leaves intermittently during the past few weeks, the requested information or documentation regarding the Contract and the Credit Facility.

On 16 February 2021, the audit committee (the “**Audit Committee**”) of the Board received a letter (the “**Letter**”) from the Company’s auditors, Deloitte Touche Tohmatsu (the “**Auditors**”) dated 11 February 2021, pursuant to which the Auditors stated that on 22 January 2021, with the assistance of the PRC Subsidiary Accountant, they visited the Jiangmen Branch of the People’s Bank of China and obtained two credit reports (the “**Credit Reports**”) of Xinhui Victory and 江門錦豐科技纖維有限公司 (Jiangmen Jinfeng Technology Fiber Co., Ltd.*), a subsidiary of the Company (together with Xinhui Victory, the “**Subsidiaries**”) respectively. The Auditors noted that the Credit Reports contained certain outstanding borrowings (the “**Borrowings**”) of the Subsidiaries totalling RMB946 million, part of which might not have been included in the prior period consolidated financial statements of the Group.

The Auditors further stated in the Letter that the preparation of their audit of the Company’s consolidated financial results for the year ending 31 March 2021 has been suspended and they would not resume the audit until review of such matters by the Audit Committee has been satisfactorily completed.

In light of the nature of the matters set out above, immediately upon becoming aware thereof, the Audit Committee has invited the Auditors to clarify and provide further details of their findings set out in the Letter, and has requested the Board for explanation and to look into the matters. The Board has actively initiated steps to look into the matters and attempted to ascertain the authenticity of the Contract and to obtain further information relating to the Credit Facility and the Borrowings from, among others, the Auditors and the PRC Subsidiary Accountant as well as whether and how the Credit Facility and the Borrowings are related to one another. Nonetheless, as at the date of this announcement, save for the Contract and the Credit Reports, the Board has yet to receive sufficient details and information in respect of the Credit Facility and the Borrowings for the purpose of making a report to the Audit Committee, and is awaiting response from the Auditors.

As disclosed in the announcement of the Company dated 16 February 2021, Mr. Lai Wing Lun and Mr. Osman Mohammed Arab of RSM Corporate Advisory (Hong Kong) Limited together with Mr. Edward Alexander Niles Whittaker of R&H Services Limited have been appointed by the Supreme Court of Bermuda as joint and several provisional liquidators (the “**Joint Provisional Liquidators**”) of the Company on a “light touch” basis for restructuring purposes. The Board has informed the Joint Provisional Liquidators of the above matters, and will work together with the Joint Provisional Liquidators in reviewing the financial condition of the Company, including the Credit Facility and the Borrowings. If it is considered to be necessary or desirable by the Audit Committee and/or the Board, they may further engage professional third parties (including but not limited to an independent forensic expert) and seek for advice regarding the Credit Facility and the Borrowings.

FURTHER ANNOUNCEMENT(S)

The Company will make further announcements(s) in relation to any material updates regarding the above and the progress of the audit of the consolidated financial statements of the Company for the year ending 31 March 2021 as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the 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, 22 February 2021

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*