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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)

SUPPLEMENTAL ANNOUNCEMENT PLACING OF NEW SHARES UNDER THE GENERAL MANDATE

Reference is made to the announcement of the Company dated 28 December 2017 in relation to the placing of new shares under the General Mandate (the “**Announcement**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcement, unless the context requires otherwise.

The Board would like to further supplement the reasons for the Placing and the use of relevant proceeds, and the use of proceeds of the previous fund raising activities.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The bank balance and cash of the Group amounted to approximately HK\$3,000 million as at 31 December 2017 based on the management accounts of the Company for the nine months ended 31 December 2017, however, taking into account (i) bank borrowings due within one year amounted to approximately HK\$3,106.5 million as at 30 September 2017 as stated in the interim report of the Company for the six months ended 30 September 2017; (ii) as stated in the interim report of the Company for the six months ended 30 September 2017, the gearing ratio of the Company as at 30 September 2017, being defined as net debt (representing by total bank borrowings net of cash and cash equivalents) to shareholders’ funds, was approximately 32.1%; (iii) based on the historical financial statements of the Company, the monthly operating cash outflow of the Group amounted to approximately HK\$200 million; (iv) fabric and garment production industry is a capital intensive industry; and (v) repayment cycles of most of

the Group's customers are more than 180 days, sufficient cash has to be reserved for the repayment of bank borrowings and for its daily operation including purchase of raw materials and payment of the Group's overheads.

As potential investors are interested to invest in the Shares, the Board considers that the Placing is a preferred way to allow investors to invest in the Shares, enhancing the Company's shareholder base, raising additional funds to allow the Company to have sufficient cash flow for the formation of the potential joint venture.

To the best of the Company's knowledge, information and belief having made all reasonable enquiries, the potential joint venture partner, which is currently the top customer of the Group for dyed fabric, currently has three garment manufacturing plants in Cambodia with over 12,000 employees. In order to enjoy preferential tariff treatment for textile and garment products exported from Cambodia, minimise costs of production and increase gross profit margin, the Group and such potential partner are planning to form a joint venture to construct a production plant for dyed fabric and garment manufacturing in Cambodia.

The formation of the joint venture also allows the transfer of skills and expertise between the Group and such partner, as well as expanding the Group's sales network. As at the date of this announcement, the Group does not currently have any production plant for dyed fabric production in Cambodia and it is expected that the dyed fabric production in the PRC is not sufficient to meet the future demand of the Group as the dyed fabric production plant in the PRC is at near full utilisation and it is expected that there will be more customers sourcing from the joint venture upon its formation.

Based on preliminary discussion with the potential partner, it is expected that a production plant with wastewater treatment facilities for the filtration of effluent discharged from such production plant will be constructed in Cambodia and machineries will be acquired for dyed fabric and garment manufacturing. The total investment is expected to be approximately HK\$500 million to HK\$600 million, of which the net proceeds of approximately HK\$157.0 million raised by the Placing will be utilised for the construction of the production plant. Depending on the actual size of the joint venture, existing cash balance of the Group may also be utilised for the construction of the production plant (if the net proceeds raised by the Placing are not sufficient), the construction of wastewater treatment facilities and acquisition of machineries. It is expected that the net proceeds raised by the Placing will be utilised in the second half of the financial year ending 31 March 2019 if the proposed joint venture materialises. Announcement will be made by the Company for relevant updates as and when it is required under the Listing Rules.

As the Group has expertise on dyed fabric production and the potential partner has expertise on garment manufacturing, it is intended that the Group and the potential partner will be responsible for the management of the dyed fabric production and garment manufacturing respectively after the construction of the production plant in Cambodia.

The Directors are of the opinion that, after taking into account the financial resources available to the Group and after conducting the Placing, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this announcement. However, should any other opportunities arise, including but not limited to mergers and acquisitions, further need of fundraising may be required.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The remaining net proceeds of approximately HK\$128.5 million from the placing completed on 17 May 2016, the net proceeds of approximately HK\$344.5 million from the rights issue completed on 6 January 2017, and the net proceeds of approximately HK\$397.0 million from the issue of convertible bonds completed on 22 September 2017, in aggregate of approximately HK\$870 million, the Company has already been utilising such proceeds as follows:

Intended use of proceeds as contained in the circular of the Company dated 24 July 2017

	Status	Remaining proceeds
Approximately HK\$80 million for construction of new warehouses in Xinhui, the PRC	Approximately HK\$60 million being utilised for constructing a warehouse of approximately 15,000m ² for storage of raw materials in Xinhui, the PRC	Approximately HK\$20 million to be applied as intended
Approximately HK\$70 million for upgrading the wastewater treatment plant in Xinhui, the PRC	Approximately HK\$70 million being utilised for upgrading the wastewater treatment plant from its daily treatment capacity of 20,000 tonnes to 32,000 tonnes	Nil
Approximately HK\$60 million for upgrading existing production lines in Xinhui, the PRC	Approximately HK\$55 million being utilised for adopting a more advanced automatic system for production and is expected to enhance the production capacity by 10% to 15%	Approximately HK\$5 million to be applied as intended

Intended use of proceeds as contained in the circular of the Company dated 24 July 2017

Intended use of proceeds as contained in the circular of the Company dated 24 July 2017	Status	Remaining proceeds
Approximately HK\$25 million for modifying existing production facilities in Xinhui, the PRC	Approximately HK\$25 million being utilised for modifying existing production facilities to accommodate the use of natural gas for production	Nil
Approximately HK\$35 million for acquiring new dyeing tanks in Xinhui, the PRC	Approximately HK\$35 million being utilised for replacing dyeing tanks and is expected to enhance the dyeing capacity by 10%	Nil
Approximately HK\$50 million for acquiring new production facilities for the Group's existing synthetic fabric manufacturing	Approximately HK\$45 million being utilised for acquiring new production facilities for the Group's existing synthetic fabric manufacturing and is expected to enhance the production capacity by 20%	Approximately HK\$5 million to be applied as intended
Approximately HK\$200 million for establishing new printing production facilities in Xinhui, the PRC	Not being utilised and the Company is currently recruiting sufficient employees with relevant expertise and finding suitable location for the construction of such production facilities	Approximately HK\$200 million to be applied as intended
Approximately HK\$250 million as working capital of the Group	Approximately HK\$180 million being utilised to purchase inventories and approximately HK\$70 million being utilised to pay rental expenses, salaries and remuneration	Nil

**Intended use of proceeds as contained
in the circular of the Company dated
24 July 2017**

	Status	Remaining proceeds
Approximately HK\$100 million for expanding the Group's production efficiencies and production capacity for synthetic fabric segment by pursuing appropriate acquisition opportunities in Taiwan and/or the PRC	Approximately HK\$70 million being utilised for constructing a production plant for synthetic production in the PRC (the " Synthetic Production Plant ") at its first stage of construction as no suitable technology or production plant has been identified	Approximately HK\$30 million to be applied as intended or for the construction of the Synthetic Production Plant

The Company is still in the process of pursuing appropriate business opportunities in Taiwan and/or the PRC for synthetic fabric production. Save for approximately HK\$70 million utilised for the construction of the Synthetic Production Plant rather than by way of acquisition as mentioned above, the above proceeds were all applied in accordance with the intended uses previously disclosed. The unutilised proceeds will be applied accordingly as mentioned above.

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

Hong Kong, 12 January 2018

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*