



Interim Report 09/10 中期報告



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司

Stock Code 股份代號: 539

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive

Li Ming Hung (Chairman)  
Chen Tien Tui (Chief Executive Officer)  
Lee Yuen Chiu, Andy  
Choi Lin Hung

#### Independent Non-Executive

Kan Ka Hon  
Phaisalakani Vichai (Andy Hung)  
Kwok Sze Chi

### COMPANY SECRETARY

Lee Chung Shing

### LEGAL ADVISERS

Chiu & Partners

### AUDITOR

Deloitte Touche Tohmatsu

### MAJOR BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited  
CITIC Ka Wah Bank Limited  
Mizuho Corporate Bank., Ltd.  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
Rabobank International

### PRINCIPAL SHARE REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM 08  
Bermuda

### BRANCH SHARE REGISTRARS IN HONG KONG

Tricor Secretaries Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit D, 3rd Floor  
Winfield Industrial Building  
3 Kin Kwan Street  
Tuen Mun  
New Territories  
Hong Kong

### COMPANY WEBSITE

[www.victorycity.com.hk](http://www.victorycity.com.hk)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	NOTES	Six months ended 30 September	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Revenue	3	1,942,318	2,244,188
Cost of sales		(1,595,181)	(1,873,215)
Gross profit		347,137	370,973
Other income		7,463	20,348
Other gains and losses	4	25,424	55
Distribution and selling expenses		(46,169)	(50,792)
Administrative expenses		(121,676)	(132,458)
Finance costs		(13,531)	(23,716)
Profit before taxation		198,648	184,410
Income tax expense	5	(18,644)	(12,431)
Profit for the period	6	180,004	171,979
Other comprehensive income			
Exchange differences arising on translation of foreign operations		1,366	4,577
Total comprehensive income for the period		181,370	176,556
Profit for the period attributable to:			
Owners of the Company		168,248	152,849
Minority interests		11,756	19,130
		180,004	171,979
Total comprehensive income attributable to:			
Owners of the Company		167,780	157,426
Minority interests		13,590	19,130
		181,370	176,556
Earnings per share	8		(restated)
Basic		HK16.4 cents	HK21.2 cents
Diluted		HK16.4 cents	HK21.2 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2009

	NOTES	30 September 2009 HK\$'000 (unaudited)	31 March 2009 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	2,382,013	2,444,630
Prepaid lease payments		48,529	49,147
Goodwill		6,185	6,185
Deposit paid for acquisition of additional interest in a subsidiary		19,000	–
Deposit paid for acquisition of property, plant and equipment		3,091	4,306
		<b>2,458,818</b>	2,504,268
<b>Current assets</b>			
Inventories		1,361,702	1,357,908
Trade receivables	10	924,648	875,514
Deposits, prepayments and other receivables		125,029	107,476
Prepaid lease payments		1,237	1,237
Derivative financial instruments	14	13,255	3,172
Bank balances and cash		523,215	546,477
		<b>2,949,086</b>	2,891,784
<b>Current liabilities</b>			
Trade payables	11	351,514	376,913
Other payables		85,812	112,063
Dividend payable		83	83
Taxation payable		74,873	60,583
Bank borrowings – amount due within one year	12	1,152,648	1,082,727
Structured borrowings – amount due within one year	13	19,091	18,792
Derivative financial instruments	14	–	11,680
		<b>1,684,021</b>	1,662,841
<b>Net current assets</b>		<b>1,265,065</b>	1,228,943
		<b>3,723,883</b>	3,733,211

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2009

	NOTES	30 September 2009 HK\$'000 (unaudited)	31 March 2009 HK\$'000 (audited)
<b>Capital and reserves</b>			
Share capital	15	10,255	10,255
Reserves		2,887,408	2,719,628
<hr/>			
Equity attributable to owners of the Company		2,897,663	2,729,883
Minority interests		155,284	142,331
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<b>Total equity</b>		<b>3,052,947</b>	2,872,214
<hr/>			
<b>Non-current liabilities</b>			
Bank borrowings – amount due after one year	12	643,712	830,631
Structured borrowings – amount due after one year	13	23,364	28,188
Deferred taxation		3,860	2,178
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		670,936	860,997
<hr/>			
		3,723,883	3,733,211
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# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Attributable to owners of the Company									
	Share capital	Share redemption premium	Capital reserve	Translation reserve	Dividend reserve	Accumulated profits	Total	Minority interests	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008 (audited)	6,758	754,810	36	76,229	395,361	45,958	1,112,487	2,391,639	117,426	2,509,065
Profit for the period	-	-	-	-	-	-	152,849	152,849	19,130	171,979
Exchange difference arising from translation of foreign operations	-	-	-	-	4,577	-	-	4,577	-	4,577
Total comprehensive income for the period	-	-	-	-	4,577	-	152,849	157,426	19,130	176,556
Shares repurchased	(3)	(506)	3	-	-	-	-	(506)	-	(506)
2008 final dividends approved but not yet paid	-	-	-	-	-	(45,958)	-	(45,958)	-	(45,958)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	(598)	(598)
At 30 September 2008 (unaudited)	6,755	754,304	39	76,229	399,938	-	1,265,336	2,502,601	135,958	2,638,559
At 31 March 2009 (audited)	10,255	913,773	39	76,229	400,235	-	1,329,352	2,729,883	142,331	2,872,214
Profit for the period	-	-	-	-	-	-	168,248	168,248	11,756	180,004
Exchange difference arising from translation of foreign operations	-	-	-	-	(468)	-	-	(468)	1,834	1,366
Total comprehensive income for the period	-	-	-	-	(468)	-	168,248	167,780	13,590	181,370
Dividends paid to minority interests	-	-	-	-	-	-	-	-	(637)	(637)
At 30 September 2009 (unaudited)	10,255	913,773	39	76,229	399,767	-	1,497,600	2,897,663	155,284	3,052,947

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Six months ended 30 September	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Net cash from operating activities	147,791	64,078
Net cash used in investing activities:		
Purchase of property, plant and equipment	(36,696)	(166,696)
Deposit paid for acquisition of additional interest in a subsidiary	(19,000)	–
Decrease in structured deposits	–	(56,160)
Proceeds from disposal of asset and liabilities associated with asset classified as held for sale	–	169,966
Other investing cash flows	10,247	4,848
	(45,449)	(48,042)
Net cash used in financing activities:		
New bank loans raised	208,384	–
Repayment of bank loans	(206,926)	(16,655)
Net amount of bills discounted with recourse, debt factored with recourse, import loans, trust receipt loans, mortgage loans and revolving trade loan repaid	(117,293)	(28,468)
Other financing cash flows	(9,769)	(9,715)
	(125,604)	(54,838)
Net decrease in cash and cash equivalents	(23,262)	(38,802)
Cash and cash equivalents at beginning of the period	546,477	470,139
Cash and cash equivalents at end of the period, represented by bank balances and cash	523,215	431,337



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of annual financial statements of the Victory City International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, the following new, and revised standards, amendments and interpretations (the “new and revised HKFRSs”) issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as disclosed below, the adoption of these new HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 “*Segment Reporting*”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Right Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>5</sup>
HKFRS 3 (Revised 2008)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised 2008) may affect the Group’s accounting for business combinations for which the acquisition dates are on or after 1 April 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The directors of the Company (the “Directors”) anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Group's board of Directors. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments.

For the period ended 30 September 2009, for the purpose of resources allocation and performance assessment, the Group's board of Directors review operating results and financial information on (i) a subgroup of production and sales of knitted fabric and dyed yarn; and (ii) two subgroups of production and sale of garment products. The subgroup of production and sales of knitted fabric and dyed yarn constitutes an operating segment of the Group. The two subgroups of production and sale of garment products are aggregated in a single operating segment as they have similar economic characteristics such as production and sales of garment products and share of same distribution channel to similar class of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

In both interim reporting periods, the Group's operations are organised into two operating segments: (i) production and sale of knitted fabric and dyed yarn; and (ii) production and sale of garment products.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 3. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue and results by operating segments for the periods under review:

### Six months ended 30 September 2009

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	1,508,337	433,981	1,942,318
RESULTS			
Segment results	167,808	22,443	190,251
Unallocated corporate income			27,913
Unallocated corporate expenses			(5,985)
Finance costs			(13,531)
Profit before taxation			198,648
Income tax expense			(18,644)
Profit for the period			180,004

### Six months ended 30 September 2008

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	1,547,197	696,991	2,244,188
RESULTS			
Segment results	166,953	41,839	208,792
Unallocated corporate income			6,570
Unallocated corporate expenses			(7,236)
Finance costs			(23,716)
Profit before taxation			184,410
Income tax expense			(12,431)
Profit for the period			171,979

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
Gain on fair value changes of derivative financial instruments	31,871	769
(Loss) gain on fair value changes of structured borrowings	(4,081)	745
Gain on fair value changes of structured deposit	–	827
Net foreign exchange losses	(2,390)	(2,286)
Reversal of bad debt provision	24	–
	<b>25,424</b>	<b>55</b>

## 5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
Current tax:		
Hong Kong Profits Tax	10,475	8,177
Enterprise income tax in the People's Republic of China (the "PRC") attributable to the subsidiaries	6,339	5,022
Overseas income tax	148	340
	<b>16,962</b>	<b>13,539</b>
Deferred tax:		
Current period	1,682	(1,108)
	<b>18,644</b>	<b>12,431</b>

Hong Kong Profit Tax is calculated at 16.5% for both periods under review.

According to the newly promulgated Enterprise Income Tax Law, starting from 1 January 2008, 5% to 10% withholding income tax will be imposed on dividends payable to foreign shareholders out of profits generated by the companies established in the PRC. Deferred taxation has been provided for in respect of the undistributed profits from these PRC subsidiaries in the condensed consolidated financial statements.

Taxation arising in other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	100,387	93,285
Release of prepaid lease payment	618	246
Interest income	(726)	(1,663)
Gain on disposal of property, plant and equipment	(124)	(12,549)

## 7. DISTRIBUTION

On 28 August 2008, the Company approved a final dividend of HK\$45,958,000 representing HK6.8 cents per share in respect of the financial year ended 31 March 2008. The amount of final dividend recommended was in cash with a scrip option.

The Directors have determined that an interim dividend of approximately HK\$20,510,000 representing HK2.0 cents per share (2008: nil), which would be in cash with a scrip option, should be paid to the shareholders of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<b>168,248</b>	152,849
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share (Note i)	<b>1,025,495</b>	720,758
Effect of dilutive potential ordinary shares in respect of share options (Note ii)	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>1,025,495</b>	720,758

Notes:

- (i) The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the period ended 30 September 2008 has been adjusted for the effect of the right issues completed in January 2009.
- (ii) The computation of diluted earnings per share for the six months periods ended 30 September 2009 and 2008 does not assume the exercise of the Group's outstanding share options as the exercise prices of those options are higher than the average market price.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$37 million (six months ended 30 September 2008: HK\$167 million) on additions to property, plant and equipment.

No interest costs were capitalised during the period while interest costs of approximately HK\$10.6 million were capitalised in property, plant and equipment during the six months ended 30 September 2008.

## 10. TRADE RECEIVABLES

The Group allows an average credit period of 90-120 days to its trade customers.

The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of each reporting period:

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
0 – 60 days	565,230	637,345
61 – 90 days	225,285	165,238
91 – 120 days	107,288	48,264
Over 120 days	26,845	24,667
	<b>924,648</b>	875,514



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 11. TRADE PAYABLES

The following is an aged analysis of trade payables at the end of each reporting period:

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
0 – 60 days	241,468	326,744
61 – 90 days	72,073	30,538
Over 90 days	37,973	19,631
	<b>351,514</b>	<b>376,913</b>

## 12. BANK BORROWINGS

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Bank loans	1,316,472	1,353,014
Bills discounted with recourse and debts factored with recourse	256,225	225,443
Import loans and trust receipts loans	182,657	292,732
Mortgage loans	41,006	42,169
	<b>1,796,360</b>	<b>1,913,358</b>
Less: Amount due within one year included in current liabilities	<b>(1,152,648)</b>	<b>(1,082,727)</b>
Amount due after one year	<b>643,712</b>	<b>830,631</b>

During the period ended 30 September 2009, the Group obtained new bank loans in the amount of approximately HK\$208,384,000 (six months ended 30 September 2008: nil). The loans carry interest at market rates ranging from 1.74% to 3.69% per annum ("p.a.") (six months ended 30 September 2008: ranging from 3.55% to 4.55% p.a.).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 13. STRUCTURED BORROWINGS

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Structured borrowings, classified as:		
Current	19,091	18,792
Non-current	23,364	28,188
	<b>42,455</b>	<b>46,980</b>

The structured borrowings contain embedded derivatives. Hence the entire combined contracts were designated as at fair value through profit or loss upon initial recognition. The estimated amount repayable to the bank within one year represents the fair value of the structured borrowings at the end of each reporting period apportioned accordingly to the repayment term.

Major terms of the structured borrowings are set out below:

Notional amount	Principal	Maturity date	Repayment amount
US\$50,000,000	US\$5,000,000	11 October 2011	First half year: 2% p.a. on notional amount Remaining four and half years: 8% p.a. minus (6% p.a. x N/M) on notional amount
US\$60,000,000	US\$6,000,000	22 September 2011	First half year: 2% p.a. on notional amount Remaining four and half years: 8.5% p.a. minus (6.5% p.a. x N/M) on notional amount

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 13. STRUCTURED BORROWINGS *(continued)*

Where:

N = number of business days in the period for which Spread Rate > -0.13% and > -0.10% for the structured borrowings with notional amount of US\$50,000,000 and US\$60,000,000 respectively.

M = actual number of business days in the period

“Spread Rate” means 10 years US\$-ISDA-Swap Rate minus 2 years US\$-ISDA-Swap Rate

“10 years US\$-ISDA-Swap Rate” means the rate for a reset date will be the rate for U.S. Dollar swaps with a maturity of the designated maturity of 10 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

“2 years US\$-ISDA-Swap Rate” means the rate for a reset date will be the rate for U.S. Dollar swaps with a maturity of the designated maturity of 2 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

The entire combined contracts are measured at fair value and calculated using discounted cash flow analysis based on the applicable yield curves at 30 September 2009. Changes in fair value are charged/credited to the condensed consolidated statement of comprehensive income.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2009		31 March 2009	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rates swaps	13,255	–	2,678	(11,510)
Foreign currency forward contracts	–	–	494	(170)
	13,255	–	3,172	(11,680)

The above derivatives are measured at fair value at the end of each reporting period. The fair value of interest rate swaps is determined using discounted cash flow analysis based on applicable yield curves, while the fair value of foreign currency forward contracts was determined based on the quoted market prices provided by multi-national financial institutions for equivalent instruments at the end of each reporting period.

At 30 September 2009, no foreign currency forward contract was outstanding.

## 15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 April 2008, 31 March 2009 and 30 September 2009 at HK\$0.01 each	40,000,000	400,000
Issued and fully paid:		
At 1 April 2008	675,850	6,758
Shares repurchased	(316)	(3)
At 30 September 2008	675,534	6,755
Issue of shares pursuant to scrip dividend scheme for 2008 final dividend	8,162	82
Shares repurchased	(33)	–
Issue of shares on rights issue	341,832	3,418
At 31 March 2009 and 30 September 2009	1,025,495	10,255

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 16. CAPITAL COMMITMENTS

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	41,532	41,792

## 17. RELATED PARTY DISCLOSURES

- (i) During the period, the Group paid operating lease rentals amounting to approximately HK\$54,000 (six months ended 30 September 2008: HK\$54,000) to Verdure Enterprises Limited (“Verdure”). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director, and his family.
- (ii) On 27 October 2008, the Group entered into a new master sale and purchase agreement with 南京新一棉紡織印染有限公司 Nanjing Synergy Textiles Limited (“Nanjing Synergy”) (“Master Supply Agreement”) after the expiry of the previous agreement which was entered on 9 September 2005. The issued share capital of Nanjing Synergy is indirectly owned as to 50% each by a discretionary trust whose discretionary beneficiaries are the family members of Mr. Li Ming Hung and a discretionary trust whose discretionary beneficiaries are the family members of Mr. Chen Tien Tui, both are Directors. Pursuant to the Master Supply Agreement, Nanjing Synergy agreed to supply yarn to the Group and the purchases during the period were as approximately HK\$179,604,000 (no purchase was made during the six months ended 30 September 2008). As at 30 September 2009, the aggregate amount of purchase deposits placed by the Group in Nanjing Synergy was approximately HK\$44,728,000 (31 March 2009: HK\$40,061,000) which were included in deposits, prepayments and other receivables.
- (iii) On 1 April 2007, the Group entered into a master sale and purchase agreement with 加美(清遠)制衣有限公司 Kimberly (Qing Yuan) Garment Limited (“Kimberly”) (“Kimberly-Mayer Master Agreement”). Kimberly is owned by a director of a subsidiary of the Company. Pursuant to the Kimberly-Mayer Master Agreement, Kimberly agreed to supply apparel products to the Group and the purchases during the period were approximately HK\$38,095,000 (six months ended 30 September 2008: HK\$21,319,000). As at 30 September 2009, the aggregate amount of purchase deposits placed by the Group in Kimberly was approximately HK\$326,000 (31 March 2009: HK\$1,020,000) which were included in deposits, prepayments and other receivables.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## 17. RELATED PARTY DISCLOSURES *(continued)*

- (iv) At 30 September 2009, the Company and certain of its wholly owned subsidiaries provided guarantees in favour of several banks in respect of facilities granted by the banks to Ford Glory International Limited ("Ford Glory"), a non-wholly owned subsidiary of the Company in which Mr. Choi Lin Hung has a 49% beneficial interest.

The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK\$588 million in aggregate as at 30 September 2009 (31 March 2009: HK\$588 million). The amount of financial assistance provided exceeds the proportional interest of the Company in Ford Glory. Mr. Choi Lin Hung did not provide similar guarantees to the banks but had provided pro rata counter indemnity to the Company and the relevant wholly owned subsidiaries of the Company.

- (v) Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

	Six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
Basic salaries and allowances	5,791	7,151
Retirement benefit scheme contributions	125	167
	<b>5,916</b>	7,318

## 18. EVENTS AFTER THE END OF THE INTERIM PERIOD

Subsequent to the reporting date, the Group had the following significant transactions:

- (i) In June 2009, the Group entered into an agreement to acquire an additional 40% equity interest in a subsidiary at consideration of HK\$19 million. The purchase consideration was fully paid and accounted for as a deposit as at 30 September 2009. The acquisition was completed in November 2009.
- (ii) In December 2009, the Group refinanced its existing syndicated loan by entering into a new syndicated loan in the amount of HK\$928 million. The new syndicated loan is repayable in instalments through 2013.



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

## 德勤

### TO THE BOARD OF DIRECTORS OF VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

#### INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 21, which comprises the condensed consolidated statement of financial position of Victory City International Holdings Limited and its subsidiaries as of 30 September 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants

Hong Kong, 18 December 2009

## BUSINESS REVIEW AND PROSPECTS

The operation environment remained challenging for the textile and garment industry in the first half of the 2009/2010 financial year. The global economic downturn has shown signs of recovery and the overall market demand and customer confidence appear to have bottomed out. The Group managed to persevere and attain satisfactory results through the dedicated efforts of our management and staff.

For the six months ended 30 September 2009, the Group's consolidated revenue was HK\$1.94 billion, dropped by 13.5% as compared with that of the same period last year. Nevertheless, profit attributable to owners of the Company increased by 10.1% to HK\$168.2 million. Basic earnings per share decreased from HK21.2 cents to HK16.4 cents mainly attributable to the dilution impact of the rights shares issued in January 2009.

Production and sales of knitted fabric and dyed yarn remained as the principal operation of the Group and accounted for 78% of the consolidated revenue. Revenue of this business segment reached HK\$1.51 billion, slightly decreased by 2.5% as compared with the previous period. During the period under review, many medium and small enterprises within the textile industry were forced to close down due to tightening of bank credit facilities as well as stringent environmental regulations introduced by the PRC authorities. Such expedited consolidation of the textile industry enabled the Group to increase market share in both export and domestic PRC markets. In fact, average monthly output quantities did increase by 6% as compared with the previous period whereas revenue dropped slightly due to decrease in average selling price stemmed from the

drop in commodity prices. During the period, operating expenses were under close control whereas production efficiency was further enhanced. Hence, profit margins were improved.

Revenue of the garment segment was dropped by 38% to HK\$434 million, accounted for 22% of the consolidated revenue. During the period under review, trading environment of the garment industry remained difficult whereas purchase orders were still volatile. Revenue of this business segment was adversely affected especially from the market of the United States of America (the "US"). One of our major customers which is an US apparel importer reduced its orders significantly due to the sluggish US market. Nevertheless, the management has exercised tight cost controls and efficient order schedulings which led to the increase in profit margins of this business segment. The Directors are still of full confidence that the garment business will revive when the US market gradually recovers together with further growth of the PRC domestic market.

In December 2009, the Group successfully secured a four-year syndicated loan of HK\$928 million from 14 banks, bearing a competitive interest margin of HIBOR+1.8% per annum. The new loan arrangement represented a vote of confidence by the banking community in the future direction and development of the Group. The proceeds of the loan facility had been used to refinance the HK\$1,388 million syndicated loan raised in February 2007. With the loan in place, we are confident of meeting our business objectives and effectively planning for our future.





Looking ahead, it is anticipated the prevailing market conditions will remain difficult and challenging. Global consumer demand is yet to be fully recovered. Backing up by the vertically-integrated set-up together with the environmental-conscious facilities, the Group is well-positioned to grab the market share following the fast consolidation of the textile and garment supply chain. The Group will continue to improve its profitability by upgrading and streamlining its production facilities as well as exercising stringent capital management and cost controls. The Directors remain positive to bring satisfactory result to our shareholders in the second half of the financial year.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30 September 2009, the Group had total assets of HK\$5,407,904,000 (31 March 2009: HK\$5,396,052,000) which were financed by current liabilities of HK\$1,684,021,000 (31 March 2009: HK\$1,662,841,000), long term liabilities of HK\$670,936,000 (31 March 2009: HK\$860,997,000) and shareholders' equity of HK\$2,897,663,000 (31 March 2009: HK\$2,729,883,000) The current ratio was

approximately 1.8 (31 March 2009: 1.7) and the gearing ratio, being the ratio of total borrowings (excluding bills discounted and debts factored, and net of bank balances and cash) to shareholders' funds was 37% (31 March 2009: 44%). All of the Group's borrowings were at floating rate basis.

The Group services its debts primarily through cash earned from its operations. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion. Should other opportunities arise requiring additional funding, the Directors believe that the Group is in a good position to obtain financing on favourable terms.

### Foreign Exchange and Interest Rate Risks

The Group continued to adopt a strict and prudent policy in managing its interest rate and currency exchange risks. The major interest-bearing bank borrowings of the Group were HIBOR based Hong Kong dollar borrowings with maturity due within five years. To reduce the interest rate risks, the Group had entered into derivative financial instrument contracts with international banks.

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Renminbi and US dollars. The fluctuations in the US dollars and Renminbi have always been the concern of the Group. In order to mitigate the foreign currency risk, the Group had entered into appropriate hedging arrangements in accordance with the Group's risk management policies.

### Capital Expenditure

During the period, the Group invested approximately HK\$37 million (six months ended 30 September 2008: HK\$167 million) on additions to property, plant and equipment.

As at 30 September 2009, the Group had capital commitments of approximately HK\$42 million in respect of acquisition of new machinery and construction of new factory plants, which are financed by long-term bank borrowings.

### Charges on Assets

As at 30 September 2009, certain property, plant and equipment and prepaid lease payment of the Group with net book value of approximately HK\$90 million were pledged to banks to secure banking facilities granted (31 March 2009: approximately HK\$91 million).

### Employee Information

As at 30 September 2009, total number of employees of the Group were approximately 185 in Hong Kong and Macau, approximately 4 in the US and Canada, approximately 1,130 in Indonesia and approximately 6,800 in the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide senior management with an appropriate incentive interest in the growth of the Group.



## OTHER DISCLOSURES

### INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK2.0 cents (2009: Nil) per share of the Company for the year ending 31 March 2010. The interim dividend will be payable on or about 5 March 2010 to shareholders whose names appear on the register of members of the Company on 15 January 2010 with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash.

A circular containing details of the scrip dividend scheme together with an election form will be sent to the shareholders of the Company as soon as practicable. The scrip dividend scheme is subject to the following conditions: (a) the issue price of a new share of the Company to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares of the Company to be issued pursuant thereto.

### CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the year ending 31 March 2010, the register of members of the Company will be closed from 12 January 2010 to 15 January 2010 both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the interim dividend for the year ending 31 March 2010, all share

transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 11 January 2010.

### DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 September 2009, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	166,878,000 ordinary shares of HK\$0.01 each of the Company ("Shares") (L) (Note 2)	–	16.2% (Note 17)
	The Company	Beneficial owner	13,740,000 Shares (L)	–	1.3%
	The Company	Beneficial owner	–	1,599,737 Shares (L) (Note 4)	0.15%
	Victory City Company Limited (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%



Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
Chen Tien Tui	The Company	Founder of a trust	166,878,000 Shares (L) (Note 3)	–	16.2% (Note 17)
	The Company	Beneficial owner	15,411,000 Shares (L)	–	1.5%
	The Company	Beneficial owner	–	1,599,737 Shares (L) (Note 4)	0.15%
	Victory City Company Limited (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
Choi Lin Hung	The Company	Beneficial owner	4,980,000 Shares (L)	–	0.49%
	The Company	Beneficial owner	–	9,598,419 Shares (L) (Note 5)	0.9%
	Victory City Overseas Limited (Note 15)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	–	21.2%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Ford Glory Holdings Limited (Note 15)	Interest of controlled corporation	49 shares of US\$1.00 each (L) (Note 6)	–	49%
	CSG Apparel Inc. (Note 15)	Interest of controlled corporation	One common stock of CAD1.00 (L) (Note 7)	–	100%
	Ford Glory International Limited (Note 15)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 13)	–	100%
	Glory Time Limited (Note 16)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 11)	–	70%
	Mayer Apparel Limited (Note 16)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 10)	–	51%
	PT Victory Apparel Semarang (Note 15)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) (Note 9)	–	100%
	Surefaith Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	–	100%



Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Top Star Limited (Note 15)	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) (Note 13)	–	100%
	Top Value Inc. (Note 15)	Interest of controlled corporation	200 common shares of no par value (L) (Note 12)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 15)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 14)	–	100%
	Victory Apparel Jordan Manufacturing Ltd. (Note 15)	Interest of controlled corporation	50,000 ordinary shares of JD\$1.00 each (L) (Note 8)	–	100%
	Wealth Choice Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	–	100%
	福之源貿易(上海)有限公司 (Note 15)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 7)	–	100%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Gojifashion Inc. (Note 16)	Interest of controlled corporation	100 common shares of no par value (L) (Note 12)	–	50%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	9,598,419 Shares (L) (Note 5)	0.9%
Phaisalakani Vichai	The Company	Beneficial owner	350,000 Shares (L)	–	0.03%

## Notes:

- The letter “L” represents the Director’s interests in the share and underlying shares of the Company or its associated corporations.
- These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung’s family.
- These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui’s family.
- On 9 October 2003, each of Messrs. Li Ming Hung and Chen Tian Tui were granted 500,000 options under the option scheme of the Company to subscribe for 500,000 Shares, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.85 and 533,246 respectively upon the rights issue of the Company (“Rights Issue”) becoming unconditional on 13 January 2009 for each of Messrs. Li Ming Hung and Chen Tien Tui.





On 7 June 2004, Messrs. Li Ming Hung and Chen Tien Tui were granted options under the share option scheme of the Company to subscribe for 1,000,000 Shares and 1,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.95 and 1,066,491 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Messrs. Li Ming Hung and Chen Tien Tui.

5. On 23 May 2003, Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy were granted 1,500,000 and 1,500,000 options respectively under the share option scheme of the Company to subscribe for 1,500,000 Shares and 1,500,000 Shares respectively, exercisable at a price of HK\$2.35 per Share during a period from 27 May 2003 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.20 and 1,599,736 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy.

On 9 October 2003, Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy were granted options under the share option scheme of the Company to subscribe for 3,500,000 Shares and 3,500,000 Shares, respectively, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011. The exercise price per Share and number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.85 and 3,732,719 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy.

On 7 June 2004, Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy were granted options under the share option scheme of the Company to subscribe for 4,000,000 Shares and 4,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.95 and 4,265,964 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy.

6. These shares, representing 49% of the issued share capital of Ford Glory Holdings Limited, were held by Merlotte Enterprise Limited which is wholly owned by Mr. Choi Lin Hung.
7. This common stock or, as the case may be, registered capital was beneficially owned by Ford Glory International Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
8. These shares was beneficially owned by Wealth Choice Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
9. These shares was beneficially owned by Surefaith Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
10. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.
11. Glory Time Limited is 70% owned by Ford Glory Holdings Limited.
12. These common shares were beneficially owned by Ford Glory Holdings Limited.

13. These shares were beneficially owned by Ford Glory Holdings Limited.
14. This quota capital was beneficially owned by Ford Glory Holdings Limited.
15. These companies are subsidiaries of the Company.
16. This company is an associated corporation (within the meaning of Part XV of the SFO) of the Company.
17. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately hold over 30% of the voting share capital of the Company, which compiled with the condition of syndicated loan.

Save as disclosed above in this report, as at 30 September 2009, none of the Directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

### DISCLOSEABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiring by the Directors, the following persons (other than Directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:



<b>Name of person</b>	<b>Number of Shares</b> (Note 1)	<b>Capacity</b>	<b>Approximate percentage of interest</b>
Pearl Garden Pacific Limited	166,878,000 (L)	Beneficial owner (Note 2)	16.2%
Cornice Worldwide Limited	166,878,000 (L)	Interest of controlled corporation (Note 2)	16.2%
Madian Star Limited	166,878,000 (L)	Beneficial owner (Note 3)	16.2%
Yonice Limited	166,878,000 (L)	Interest of controlled corporation (Note 3)	16.2%
Trustcorp Limited	333,756,000 (L)	Trustee (Notes 2, 3 & 4)	32.5%
Newcorp Ltd.	333,756,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	32.5%
Ho Yuen Mui, Shirley	182,217,737 (L)	Interest of spouse (Note 5)	17.7%
Or Kwai Ying	183,888,737 (L)	Interest of spouse (Note 6)	17.9%
Templeton Asset Management Limited	154,679,571 (L)	Investment manager	15.1%
Sansar Capital Special Opportunity Master Fund, LP	66,119,000 (L)	Beneficial owner (Note 7)	6.4%

## Notes:

1. The letter "L" represents the person's interests in the Shares and underlying Shares.
2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Li Ming Hung's family. Mr. Chen Tien Tui is a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited.
3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Chen Tien Tui's family. Mr. Li Ming Hung is a director of Madian Star Limited and Yonice Limited.
4. Trustcorp Limited is wholly owned by Newcorp Ltd.
5. Ms. Ho Yuen Mui, Shirley is the wife of Mr. Li Ming Hung.
6. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.
7. These shares were held by Sansar Capital Special Opportunity Master Fund, LP. To the best knowledge of the Company, Sansar Capital Management, LLC was interested in such Shares as investment manager.

Save as disclosed above, so far as is known to the Directors, as at 30 September 2009, there was no person (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares and/or underlying Shares in the Company (including interest in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTIONS

Pursuant to ordinary resolutions passed at the special general meeting of the Company held on 30 November 2001, the share option scheme adopted by the Company pursuant to an ordinary resolution passed at the special general meeting held on 22 April 1996 was terminated and the existing share option scheme (the "Scheme") of the Company was adopted.

Details of the options to subscribe for shares of the Company granted under the Scheme for the period under review are as follows:



Number of underlying shares in the Company

Class of grantee	Date of grant	Granted	Exercised	Cancelled	Lapsed	Outstanding	Outstanding	Exercise price per share (HK\$)	Exercise period
						as at 1 April 2009	as at 30 September 2009		
Directors (Note 1)	27/05/2003	-	-	-	-	3,199,472	3,199,472	2.20	27/05/2003 to 29/11/2011
	20/10/2003	-	-	-	-	8,531,930	8,531,930	2.85	09/10/2004 to 29/11/2011
	07/06/2004	-	-	-	-	10,664,910	10,664,910	2.95	07/06/2004 to 29/11/2011
Other employees (Note 2)	27/05/2003	-	-	-	-	24,635,947	24,635,947	2.20	27/05/2003 to 29/11/2011
	20/10/2003	-	-	-	106,649	40,526,662	40,420,013	2.85	09/10/2004 to 29/11/2011
	07/06/2004	-	-	-	213,298	40,953,259	40,739,961	2.95	07/06/2004 to 29/11/2011

## Notes:

1. Details of options granted to each of the Directors are set out in the paragraph headed "Directors' and chief executive's interest in shares and underlying shares" in this report above.
2. Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Cap.57 of the Laws of Hong Kong).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the six months ended 30 September 2009 with the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct (the "Code of Conduct") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 September 2009.

## AUDIT COMMITTEE

The board of Directors has established an audit committee ("Committee") with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Committee are to review the Group's financial reporting process, internal control system and the Group's financial statements.

The Committee comprises the three independent non-executive Directors in compliance with the Listing Rules.

The Committee has reviewed the unaudited financial



statements of the Group for the six months ended 30 September 2009 and is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

By Order of the Board of Directors of  
**Victory City International Holdings Limited**

**Li Ming Hung**  
*Chairman*

Hong Kong, 18 December 2009



VICTORY CITY  
INTERNATIONAL HOLDINGS LIMITED  
冠華國際控股有限公司

