







VICTORY CITY
INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司 Stock Code 股份代號 : 539

2015/16 Interim Report 中期報告





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BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Lee Chung Shing

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

MAJOR BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China CITIC Bank International Limited
United Overseas Bank Limited
CTBC Bank Co., Ltd.
Rabobank International

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
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



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Note	Six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	2,696,797	2,905,893
Cost of sales		(2,192,031)	(2,390,726)
Gross profit		504,766	515,167
Other income		44,696	20,564
Other gains and losses	4	(64,213)	(20,214)
Distribution and selling expenses		(73,461)	(70,135)
General and administrative expenses		(181,617)	(190,435)
Finance costs		(61,070)	(52,063)
Gain on disposal of subsidiaries	17(b)	—	227,674
Profit before taxation		169,101	430,558
Income tax expense	5	(22,166)	(25,784)
Profit for the period	6	146,935	404,774
Other comprehensive (expense) income:			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Fair value change of an available-for-sale investment		(57)	197
Exchange differences arising on translation of foreign operations		(203,877)	—
Reclassification adjustment of translation reserve upon disposal of subsidiaries		—	3
		(203,934)	200
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Fair value adjustment of investment properties reclassified from property, plant and equipment		6,320	14,541
Other comprehensive (expense) income for the period		(197,614)	14,741
Total comprehensive (expense) income for the period		(50,679)	419,515

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2015

	Note	Six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		142,069	289,225
Non-controlling interests		4,866	115,549
		146,935	404,774
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(57,413)	296,841
Non-controlling interests		6,734	122,674
		(50,679)	419,515
Earnings per share	8		
Basic		HK7.6 cents	HK16.5 cents
Diluted		HK7.4 cents	HK16.3 cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	Note	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	3,142,520	3,225,266
Prepaid lease payments	10	183,266	201,116
Investment properties	10	165,988	54,800
Goodwill		6,614	6,614
Restricted bank deposits	11	—	94,396
Deferred tax assets	18	4,413	2,524
Deposit paid for acquisition of property, plant and equipment		17,307	18,828
Other assets		26,040	26,040
		3,546,148	3,629,584
Current assets			
Inventories		2,591,271	2,603,275
Trade and bills receivables	12	1,695,387	1,610,126
Deposits, prepayments and other receivables		233,846	213,701
Prepaid lease payments	10	4,497	4,891
Derivative financial instruments	13	—	643
Available-for-sale investment		1,697	1,754
Taxation recoverable		2,169	1,690
Bank balances and cash		2,324,462	2,003,390
		6,853,329	6,439,470
Current liabilities			
Trade and bills payables	14	460,070	358,248
Other payables and accruals		133,352	110,653
Dividend payable		130,715	202
Taxation payable		88,323	78,869
Derivative financial instruments	13	168,705	98,266
Bank borrowings — amount due within one year	15	2,442,805	2,247,489
		3,423,970	2,893,727
Net current assets		3,429,359	3,545,743
Total assets less current liabilities		6,975,507	7,175,327

Condensed Consolidated Statement of Financial Position

At 30 September 2015

	Note	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Capital and reserves			
Share capital	16	20,516	18,625
Reserves		5,346,870	5,350,774
Equity attributable to owners of the Company		5,367,386	5,369,399
Non-controlling interests		151,422	144,688
Total equity		5,518,808	5,514,087
Non-current liabilities			
Bank borrowings — amount due after one year	15	1,365,952	1,576,460
Deferred tax liabilities	18	90,747	84,780
		1,456,699	1,661,240
		6,975,507	7,175,327



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company											Attributable to non-controlling interests			
	Share capital	Share premium	Special reserve	Capital redemption reserve	Capital reserve	Translation reserve	Share option reserve	Investments revaluation reserve	Property revaluation reserve	Accumulated profits	Sub-total	Share option reserve of a subsidiary	Share of net assets of subsidiaries	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014 (audited)	17,487	1,765,473	(5,530)	39	76,229	648,590	25,152	443	–	2,446,510	4,974,393	27,732	230,809	258,541	5,232,934
Profit for the period	–	–	–	–	–	–	–	–	–	289,225	289,225	–	115,549	115,549	404,774
Fair value change of an available-for-sale investment	–	–	–	–	–	–	–	197	–	–	197	–	–	–	197
Reclassification adjustment of translation reserve upon disposal of subsidiaries	–	–	–	–	–	3	–	–	–	–	3	–	–	–	3
Fair value adjustment of investment property reclassified from property, plant and equipment	–	–	–	–	–	–	–	–	7,416	–	7,416	–	7,125	7,125	14,541
Total comprehensive income for the period	–	–	–	–	–	3	–	197	7,416	289,225	296,841	–	122,674	122,674	419,515
2014 Final dividend approved but not yet paid	–	–	–	–	–	–	–	–	–	(69,947)	(69,947)	–	–	–	(69,947)
Dividend distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(239,429)	(239,429)	(239,429)
Lapse of share options	–	–	–	–	–	–	(12)	–	–	12	–	–	–	–	–
Exercise of share options of a subsidiary	–	–	–	–	–	–	–	–	–	27,732	27,732	(27,732)	50,850	23,118	50,850
Dilution of interest in subsidiaries	–	–	–	–	–	–	–	–	–	(2,277)	(2,277)	–	2,277	2,277	–
Disposal of subsidiaries	–	–	7,491	–	–	–	–	–	–	(7,491)	–	–	(18,445)	(18,445)	(18,445)
Acquisition of additional interests in subsidiaries (Note 17(a))	–	–	–	–	–	–	–	–	–	4,433	4,433	–	(4,433)	(4,433)	–
At 30 September 2014 (unaudited)	17,487	1,765,473	1,961	39	76,229	648,593	25,140	640	7,416	2,688,197	5,231,175	–	144,303	144,303	5,375,478

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

	Attributable to owners of the Company											Attributable to non-controlling interests			Total
	Share capital	Share premium	Special reserve	Capital redemption reserve	Capital reserve	Translation reserve	Share option reserve	Investments revaluation reserve	Property revaluation reserve	Accumulated profits	Sub-total	Share option reserve of a subsidiary	Share of net assets of subsidiaries	Sub-total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2015 (audited)	18,625	1,882,360	1,961	39	76,229	647,749	25,093	662	7,416	2,709,265	5,369,399	–	144,688	144,688	5,514,087
Profit for the period	–	–	–	–	–	–	–	–	–	142,069	142,069	–	4,866	4,866	146,935
Fair value change of an available-for-sale investment	–	–	–	–	–	–	–	(57)	–	–	(57)	–	–	–	(57)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(202,860)	–	–	–	–	(202,860)	–	(1,017)	(1,017)	(203,877)
Fair value adjustment of investment property reclassified from property, plant and equipment, net of related deferred taxation	–	–	–	–	–	–	–	–	3,435	–	3,435	–	2,885	2,885	6,320
Total comprehensive income for the period	–	–	–	–	–	(202,860)	–	(57)	3,435	142,069	(57,413)	–	6,734	6,734	(50,679)
2015 Final dividend approved but not yet paid	–	–	–	–	–	–	–	–	–	(55,938)	(55,938)	–	–	–	(55,938)
2015 Special dividend approved but not yet paid	–	–	–	–	–	–	–	–	–	(74,585)	(74,585)	–	–	–	(74,585)
Issue of shares upon exercise of share options of the Company (Note 16)	26	2,570	–	–	–	–	(601)	–	–	–	1,995	–	–	–	1,995
Issue of shares upon subscription of shares, net of related transaction cost (Note 16)	1,865	182,063	–	–	–	–	–	–	–	–	183,928	–	–	–	183,928
At 30 September 2015 (unaudited)	20,516	2,066,993	1,961	39	76,229	444,889	24,492	605	10,851	2,720,811	5,367,386	–	151,422	151,422	5,518,808



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Note	Six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Net cash from operating activities		347,278	89,197
Net cash (used in) from investing activities:			
Purchase of property, plant and equipment		(169,895)	(168,228)
Increase in deposit paid for acquisition of property, plant and equipment		(36,527)	(5,318)
Withdrawal of restricted bank deposits		94,550	—
Other investing cash flows		640	1,157
Settlement of loan receivables		—	37,500
Net proceeds from disposal of subsidiaries	17(b)	—	216,526
		(111,232)	81,637
Net cash from financing activities:			
New bank loans raised	15	209,200	649,341
Issue of shares upon subscription of shares	16	183,928	—
Net amount of import loans and trust receipt loans raised		10,005	194,697
Exercise of share options of the Company		1,995	—
Repayment of bank loans	15	(278,796)	(277,343)
Dividend paid to non-controlling shareholders		—	(239,429)
Exercise of share options of a subsidiary		—	50,850
		126,332	378,116
Net increase in cash and cash equivalents		362,378	548,950
Cash and cash equivalents at beginning of the period		2,003,390	1,300,491
Effect of foreign exchange rate changes		(41,306)	—
Cash and cash equivalents at end of the period, represented by bank balances and cash		2,324,462	1,849,441

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

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 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 properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

3. SEGMENT INFORMATION

The Group's operations are organised into three operating segments, information of which is used by the executive directors for the purpose of performance evaluation and resources allocation. Details of the Group's three reportable segments are as follows:

- (i) Knitted fabric and dyed yarn — Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services
- (ii) Garment products — Production and sale of garment products and provision of quality inspection services
- (iii) Resin manufacturing — Production and sale of resin

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

Six months ended 30 September 2015

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Resin manufacturing HK\$'000 (note)	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	2,208,925	487,872	—	—	2,696,797
Inter-segment sales	24,549	—	—	(24,549)	—
Segment revenue	2,233,474	487,872	—	(24,549)	2,696,797
RESULTS					
Segment results	253,217	32,218	—		285,435
Unallocated corporate income and gain					8,435
Unallocated corporate expenses and loss					(63,699)
Finance costs					(61,070)
Profit before taxation					169,101

note: During the current interim period, the Group has ceased the production and sale of resin operation under the resin manufacturing segment. The relevant assets under this segment are leased to an independent third party for rental income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

3. SEGMENT INFORMATION *(continued)*

Six months ended 30 September 2014

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Resin manufacturing HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	2,303,309	601,985	599	—	2,905,893
Inter-segment sales	42,346	—	—	(42,346)	—
Segment revenue	2,345,655	601,985	599	(42,346)	2,905,893
RESULTS					
Segment results	263,901	21,442	(895)		284,448
Unallocated corporate income and gain					736
Unallocated corporate expenses and loss					(30,237)
Gain on disposal of subsidiaries					227,674
Finance costs					(52,063)
Profit before taxation					430,558

Segment results represent the profit earned (loss made) by each segment without allocation of rental income, net loss on fair value change of derivative financial instruments, gain on fair value change of restricted bank deposits, net gain (loss) on disposal of property, plant and equipment, gain on fair value change of investment properties, gain on disposal of subsidiaries, central administration costs and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance evaluation. Inter-segment sales are charged at the prevailing market rate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Net loss on fair value change of derivative financial instruments	(56,611)	(15,135)
Net foreign exchange loss	(9,242)	(4,273)
Gain on fair value change of restricted bank deposits	764	433
Gain on fair value change of investment properties	700	—
Net gain (loss) on disposal of property, plant and equipment	176	(239)
Impairment loss on intangible asset	—	(1,000)
	(64,213)	(20,214)

5. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	5,089	10,037
Enterprise Income Tax ("EIT") in the People's Republic of China (the "PRC")	14,602	8,087
Overseas income tax	27	1,079
Capital gain tax in the PRC	—	3,732
	19,718	22,935
Deferred tax for the current period (Note 18)	2,448	2,849
	22,166	25,784

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

5. INCOME TAX EXPENSE *(continued)*

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

PRC

EIT in the PRC is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with relevant income tax rules and regulations in the PRC.

Capital gain tax was calculated at 10% (as stipulated in the PRC tax law and regulations) of the difference between the consideration from the transfer of equity interests in certain subsidiaries of the Company established in the PRC (Note 17(a)) and the cost of equity rights in the PRC subsidiaries at the date of completion of the Acquisition (as defined in Note 17).

Macau

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Macau subsidiaries are exempted from Macao Complementary Tax.

Other jurisdictions

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	129,268	124,260
Release of prepaid lease payments	2,070	2,196
Interest income	(29,159)	(14,000)
Rental income from investment properties and property, plant and equipment	(6,795)	(723)

7. DISTRIBUTION

On 28 August 2015, the Company approved a final dividend of HK3.0 cents per share in respect of the financial year ended 31 March 2015 (2014: HK4.0 cents per share in respect of the financial year ended 31 March 2014) and a special dividend of HK4.0 cents per share in respect of the financial year ended 31 March 2015 (2014: nil in respect of the financial year ended 31 March 2014). The amount of final dividend and special dividend approved was in cash with a scrip option.

The directors of the Company (the "Directors") have determined that an interim dividend of HK4.0 cents per share for the six months ended 30 September 2015 (six months ended 30 September 2014: HK5.0 cents per share), in cash with a scrip option, is to be paid to the shareholders of the Company (the "Shareholders").

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

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:

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	142,069	289,225
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	—	(212)
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	142,069	289,013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,870,025	1,748,683
Effect of dilutive potential ordinary shares:		
Share options of the Company	40,856	27,953
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,910,881	1,776,636

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

9. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme of the Company

The movements of the share options under the Company's share option scheme are as follows:

	Number of share options
Outstanding as at 1 April 2014	106,650,000
Exercised during the year	(200,000)
Lapsed during the year	(50,000)
Outstanding as at 31 March 2015	106,400,000
Exercised during the period	(2,550,000)
Outstanding as at 30 September 2015	103,850,000

The exercise price of the options granted is HK\$0.782 per share. These options were immediately vested and are exercisable for a period up to the 5th anniversary of the date of grant.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

During the current interim period, the Group had additions to property, plant and equipment of approximately HK\$208 million (six months ended 30 September 2014: HK\$181 million).

In addition, during the current interim period, property, plant and equipment and prepaid lease payments with carrying amounts of HK\$87,757,000 (2014: HK\$8,659,000) and HK\$14,527,000 (2014: nil), respectively, were transferred to investment properties as the management had changed the use of the properties, evidenced by entering into various operating leases with tenants. The properties were fair-valued by Roma Appraisals Limited ("Roma"), an independent firm of valuers not connected with the Group, at the date of transfer using the depreciated replacement costs basis, or by reference to recent market prices and market rental for similar properties in similar locations and conditions, where appropriate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES *(continued)*

The Group's investment properties at the end of the current interim period were fair-valued by Roma. The valuation was determined using the depreciated replacement costs basis, or by reference to recent market prices and market rental for similar properties in similar locations and conditions, where appropriate.

11. RESTRICTED BANK DEPOSITS

The amount at 31 March 2015 represented an initial deposit of US\$11,640,000 placed with a financial institution pursuant to the Net-settled Contracts (as defined in Note 13) entered into during the six months ended 30 September 2014. The amount is fully repaid during the current interim period upon the termination of the relevant contracts with the Knockout Event (as defined in Note 13).

The Group had designated the restricted bank deposits as financial assets at fair value through profit or loss.

12. TRADE AND BILLS RECEIVABLES

The Group allows a credit period ranging between 30 to 120 days to its trade customers.

The following is an aged analysis of trade and bills receivables (net of allowance for doubtful debts), presented based on the invoice date at the end of the reporting period:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
0-60 days	1,117,511	1,021,484
61-90 days	378,497	362,784
91-120 days	152,176	147,882
Over 120 days	47,203	77,976
	1,695,387	1,610,126

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Liabilities		Assets	
	30 September 2015 HK\$'000	31 March 2015 HK\$'000	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Structured foreign currency forward contracts:				
— Net-settled Contracts	164,065	93,451	—	643
Interest rate swap	4,640	4,815	—	—
	168,705	98,266	—	643

The Group has entered into certain contracts with various financial institutions to hedge against an increase in RMB/US\$ exchange rate for certain agreed periods of time. The Group and the respective financial institutions would settle on a net basis with reference to the fluctuation of the RMB/US\$ exchange rate against the pre-determined exchange rate on a monthly basis (the “Net-settled Contracts”) over the contract periods. Certain of these contracts also include a knockout provision whereby the contracts will be automatically terminated in certain scenarios.

14. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
0–60 days	277,083	251,461
61–90 days	120,775	53,830
Over 90 days	62,212	52,957
	460,070	358,248

The credit period for purchase of goods is 30 to 120 days.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans in the amount of HK\$209,200,000 (six months ended 30 September 2014: HK\$649,341,000) and repaid bank loans in the amount of HK\$278,796,000 (six months ended 30 September 2014: HK\$277,343,000). The bank borrowings of the Group carry interest at market rates ranging from 1.49% to 6.59% per annum (six months ended 30 September 2014: 1.21% to 7.57% per annum).

16. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2014, 31 March 2015 and 30 September 2015	40,000,000,000	400,000
Issued and fully paid:		
At 1 April 2014	1,748,682,605	17,487
Issue of shares pursuant to scrip dividend scheme for 2014 final dividend	54,441,861	544
Issue of shares pursuant to scrip dividend scheme for 2015 interim dividend	59,235,433	592
Issue of shares upon exercise of share options (Note 9)	200,000	2
At 31 March 2015	1,862,559,899	18,625
Issue of shares upon subscription of shares (note)	186,460,000	1,865
Issue of shares upon exercise of share options (Note 9)	2,550,000	26
At 30 September 2015	2,051,569,899	20,516

note: On 14 September 2015, the Company entered into a placing and subscription agreement with Pearl Garden Pacific Limited ("Pearl Garden") and Madian Star Limited ("Madian Star") as vendors (the "Vendors") and Kingston Securities Limited as placing agent (the "Placing Agent"). Pursuant to the placing and subscription agreement, the Placing Agent agreed to place up to 186,460,000 placing shares held by the Vendors to third parties which (including their ultimate beneficial owners, where applicable) are (i) independent of the Vendors, the Company and their respective connected persons; and (ii) independent of, not connected with and not acting in concert with any of the Vendors or their respective concert parties at HK\$1.00 per placing share. The placing and subscription were completed on 16 September 2015 and 25 September 2015 respectively. After deducting all related transaction costs, the net proceeds from the subscription amounted to approximately HK\$183,928,000. The new shares rank pari passu with the existing shares in all respects.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

17. ACQUISITION/DISPOSAL OF INTERESTS IN SUBSIDIARIES

On 14 March 2014, Sure Strategy Limited (“Sure Strategy”), Victory City Investments Limited (“VC Investments”), both subsidiaries of the Company, and Merlotte Enterprise Limited (“Merlotte”), a minority shareholder of a subsidiary of the Company, and an independent third party (the “Purchaser”) entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to purchase and Sure Strategy, VC Investments and Merlotte conditionally agreed to sell their respective 315,200,000, 2,448,000 and 2,352,000 ordinary shares in Highlight China IoT International Limited (“Highlight China”) at an aggregate cash consideration of HK\$258,560,000 (the “Disposal”).

On the same date, Sure Strategy and Highlight China entered into an agreement pursuant to which Sure Strategy conditionally agreed to acquire and Highlight China conditionally agreed to dispose of its entire equity interest in Ford Glory Holdings Limited and certain of its subsidiaries (the “Target Group”) at a cash consideration of HK\$270,000,000 (the “Acquisition”). The Target Group is principally engaged in the manufacturing and sale of garment products by the self-owned factories of the Target Group in the PRC, Indonesia, Cambodia and Jordan based on the designs and specifications provided by customers.

Completion of the Disposal was conditional upon, among other things, completion of the Acquisition. The Acquisition and the Disposal were completed on 22 July 2014.

Upon completion of the Acquisition and the Disposal, the Group received a special cash dividend from Highlight China on a basis of HK\$0.72 per Highlight China’s share.

(a) Acquisition of additional interests in subsidiaries

The companies comprising the Target Group are subsidiaries of the Company since their incorporation or being acquired by the Group. The Acquisition has resulted in changes in the Group’s shareholding of the Target Group companies, without changes in its controls over them. Accordingly, the Acquisition has been accounted for as an equity transaction and no goodwill has been recognised upon completion of the Acquisition. The difference between the consideration paid and the net asset value of the Target Group, attributable to the change of non-controlling interests (as a result of the Acquisition), of HK\$4,433,000 has been credited to accumulated profits.

(b) Disposal of subsidiaries

Upon completion of the Acquisition, the Group disposed of its approximately 61.11% equity interest in Highlight China and Highlight China ceased to be a subsidiary of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

17. ACQUISITION/DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

(b) Disposal of subsidiaries *(continued)*

The net assets of Highlight China at the date of the Disposal were as follows:

	HK\$'000
Property, plant and equipment	190
Inventories	21,793
Trade receivables	45,707
Deposits, prepayments and other receivables	5,470
Bank balances and cash	20,134
Trade payables	(37,148)
Other payables and accrual	(6,838)
Taxation payable	(1,877)
Net assets	47,431
Less: Non-controlling interests	(18,445)
Net assets disposed of	28,986
Gain on disposal	227,674
Total consideration to Sure Strategy and VC Investments, satisfied by cash	256,660
Net cash inflow arising on disposal:	
Total cash consideration	256,660
Deposit received during the year ended 31 March 2014	(20,000)
Bank balances and cash disposed of	(20,134)
	216,526

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

18. DEFERRED TAXATION

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior periods:

	Fair value adjustment on prepaid lease payments and property, plant and equipment arising on business combination	Accelerated tax and accounting depreciation	Dividend withholding tax	Fair value change on investment properties	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	70,059	(1,421)	16,194	—	(2,599)	82,233
(Credit) charge to profit or loss	(3,464)	(128)	3,772	—	(157)	23
At 31 March 2015	66,595	(1,549)	19,966	—	(2,756)	82,256
(Credit) charge to profit or loss	(1,732)	—	4,180	—	—	2,448
Charge to revaluation reserve	—	—	—	2,107	—	2,107
Exchange difference	(367)	—	(110)	—	—	(477)
At 30 September 2015	64,496	(1,549)	24,036	2,107	(2,756)	86,334

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

18. DEFERRED TAXATION *(continued)*

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Deferred tax assets	(4,413)	(2,524)
Deferred tax liabilities	90,747	84,780
	86,334	82,256

19. OPERATING LEASE ARRANGEMENT

The Group is the lessor in respect of certain land and buildings and plant and equipment under operating leases.

During the current interim period, rental income earned was HK\$6,795,000 (six months ended 30 September 2014: HK\$723,000).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within one year	23,946	1,772
In the second to fifth years, inclusive	41,898	551
More than five years	4,395	—
	70,239	2,323

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

20. CAPITAL COMMITMENTS

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated statement of financial position	17,918	14,278

21. RELATED PARTY DISCLOSURES

- (i) During the current interim period, the Group paid operating lease rental of HK\$408,000 (six months ended 30 September 2014: HK\$127,000) to Verdure Enterprises Limited (“Verdure”). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

During the current interim period, the Group paid operating lease rental of HK\$492,000 (six months ended 30 September 2014: HK\$408,000) to Rich Trade Development Limited (“Rich Trade”). Rich Trade is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

For the six-month period ended 30 September 2014, the Group paid operating lease rental of HK\$365,000 to Win Most Development Limited (“Win Most”). Win Most is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

The payment of the above operating lease rentals constituted exempted continuing connected transactions under Chapter 14A of the Listing Rules.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

21. RELATED PARTY DISCLOSURES *(continued)*

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Basic salaries and allowances	6,259	6,205
Retirement benefit scheme contributions	130	130
	6,389	6,335

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Other than the financial assets carried at fair value as detailed in the following table, the Directors consider that the carrying amounts of other financial instruments that are recorded at amortised cost in these condensed consolidated financial statements approximate their fair values.

Financial assets/ financial liabilities	Fair value as at 30 September 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input	Range as at 30 September 2015
Available-for-sale investment	Assets — HK\$1,697,000 (31 March 2015: HK\$1,754,000)	Level 1	N/A	N/A	N/A
Restricted bank deposits (note 1)	Assets — nil (31 March 2015: HK\$94,396,000)	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement of the related structured foreign currency forward contract, risk-free rate of US\$ and RMB and the average implied volatility of the exchange rate as at valuation date	Average implied volatility of the exchange rate as at valuation date	N/A (31 March 2015: 3.4%)
Structured foreign currency forward contracts classified as derivative financial instruments (note 2)	Assets — nil (31 March 2015: HK\$643,000) Liabilities — HK\$164,065,000 (31 March 2015: HK\$93,451,000) <i>(Both not designated for hedging)</i>	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement, risk-free rate of US\$ and RMB and the average implied volatility of the exchange rate as at valuation date	Average implied volatility of the exchange rate as at valuation date	5.9%–6.2% (31 March 2015: 1.9%–3.8%)
Interest rate swap classified as derivative financial instruments (note 3)	Liability — HK\$4,640,000 (31 March 2015: HK\$4,815,000) <i>(Not designated for hedging)</i>	Level 2	Discounted cash flow method The key inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity, risk-free rate	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

note 1: The higher the average implied volatility of the exchange rate used, the lower the fair value. Changes in the average implied volatility of the exchange rate used will have insignificant impact on the fair value of restricted bank deposits.

note 2: The higher the average implied volatility of the exchange rate used, the lower the fair value. If the average implied volatility of the exchange rate is increased/decreased by 5% and held other variables constant, the Group's post-tax profit for the period would have been decreased/increased by HK\$3,312,000/HK\$3,308,000.

If RMB weakened/strengthened against US\$ by 5% and all variables were held constant, the Group's post tax profit for the period would decreased by HK\$178,827,000/increased by HK\$115,272,000. Due to the terms of the contracts, changes in the inputs adopted in the valuation model would lead to asymmetric changes in the fair values.

note 3: The discounted cash flow method uses only observable market inputs.

There is no transfer between the different levels of the fair value hierarchy for the current period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Restricted bank deposits	Structured foreign currency forward contracts	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	91,794	(27,115)	64,679
Amount received during the year	—	(40,513)	(40,513)
Fair value gains (losses) (Note):			
— realised	—	42,767	42,767
— unrealised	2,602	(67,947)	(65,345)
At 31 March 2015	94,396	(92,808)	1,588
Amount received during the period	—	(15,113)	(15,113)
Withdrawal of restricted bank deposits	(94,550)	—	(94,550)
Fair value gains (losses) (note):			
— realised	764	76,946	77,710
— unrealised	—	(133,090)	(133,090)
Exchange difference	(610)	—	(610)
At 30 September 2015	—	(164,065)	(164,065)

note: The amount is included in net gain on fair value change of derivative financial instruments and gain on fair value change of restricted bank deposits of "other gains and losses" in Note 4.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

23. EVENTS AFTER THE REPORTING PERIOD

The following events took place after the reporting period:

- (i) The Directors is exploring the possibility of a separate listing on the Main Board of the Stock Exchange by way of a spin-off (the “Proposed Spin-off”) of its garment manufacturing business. On 15 October 2015, the Stock Exchange granted approval to the Company to proceed with the Proposed Spin-off pursuant to Practice Note 15 of the Listing Rules. Up to the date of approving these condensed consolidated financial statements, the preparation work for the application to the Stock Exchange is still in progress.
- (ii) On 23 October 2015, the Company entered into a placing agreement and a subscription agreement with Pearl Garden, Madian Star (the “Vendors”) and DBS Asia Capital Limited (the “Placing Agent”). Pursuant to the placing agreement, the Placing Agent agreed to place up to 100,000,000 placing shares held by the Vendors to third parties which (including their beneficial owners, where applicable) are (i) independent of, not connected with and not acting in concert with or directly or indirectly funded by any of the Vendors or their respective concert parties; (ii) not connected persons of the Company and are independent of and not connected with the Company, the directors, chief executive or substantial shareholders of the Company; and (iii) have not become substantial shareholders following the placing at HK\$1.00 per placing share. On the same date, the Company also entered a subscription agreement with the Vendors to conditionally agree to allot and issue the exact number of subscription shares which will be equivalent to the respective number of placing shares actually placed by the Vendors at HK\$1.00 per subscription share. The placing and subscription were completed on 27 October 2015 and 6 November 2015 respectively.



 **REPORT ON REVIEW OF CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

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 condensed consolidated financial statements of Victory City International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 3 to 30, which comprise the condensed consolidated statement of financial position as of 30 September 2015 and the related condensed consolidated statement of profit or loss and other 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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.

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 November 2015

BUSINESS REVIEW AND PROSPECTS



BUSINESS REVIEW

Against the backdrop of the soft and fragile recovery in the global economy, the business environment for textile and garment industry remained relatively stable for the six months ended 30 September 2015. The United States of America (“US”), the Group’s major market, has been achieving stable recovery in its economy. According to the US Department of Commerce, the disposable personal income in the US increased at an annual rate of 4.8% in the third quarter of 2015, compared with 3.4% in the second, suggesting a reviving local economy and consumer sentiment. The Group captured such opportunities brought forth from the recovery of the west and succeeded in achieving another set of reasonable business performance during the reporting period.

For the six months ended 30 September 2015, the Group’s unaudited consolidated revenue was approximately HK\$2,697 million, representing a decrease of approximately 7.2% as compared with that of the previous corresponding period (1H2014: HK\$2,906 million). Gross profit decreased by approximately 2.0% to approximately HK\$504.8 million from HK\$515.2 million, while gross profit margin increased to 18.7% from 17.7%. Profit attributable to owners of the Company for the reporting period amounted to approximately HK\$142.1 million, which included net loss on fair value change of derivative financial instruments of approximately HK\$56.6 million, gain on fair value change of restricted bank deposits of approximately HK\$0.8 million and gain on fair value change of investment properties of approximately HK\$0.7 million. Hence, profit from core operations for the six months ended 30 September 2015 was approximately HK\$186.4 million after adjusting the above-mentioned non-operating gains and losses, representing a year-on-year decrease of approximately 2.3% (1H2014: approximately HK\$190.7 million). Basic earnings per share were HK7.6 cents (1H2014: HK16.5 cents).

Textile Business

For the six months ended 30 September 2015, the production and sale of knitted fabric and dyed yarn remained the major business segment of the Group, accounting for approximately 81.9% of the Group’s consolidated revenue.

Business Review and Prospects

During the reporting period, cotton price recorded a downward trend as compared with the previous years, which adversely affected the pricing of the Group's textile products by approximately 5%. However, the order book and utilisation of the Group's textile production site in the PRC sustained at a high level and turned into a growth in production output, which counterweighted the product price adjustment. As a result, the revenue of the textile business dropped slightly by approximately 4.1% year-on-year to approximately HK\$2,209 million during the first half of 2015/16.

High utilisation not only brought stronger output to the Group, but it also lifted the operating efficiency of the manufacturing plant. Coupled with the on-going automation upgrades and new dyeing facilities that were gradually in place, the operations were streamlined with labour and miscellaneous costs saved. More initiatives and measures will be progressively implemented in the future to maintain the Group's competitiveness and profitability.

Garment Business

The garment business accounted for approximately 18.1% of the Group's consolidated revenue for the six months ended 30 September 2015. Garment manufacturing became the principal business of this segment since the disposal of a subsidiary together with its garment sourcing business in July 2014.



Revenue of the garment business decreased by approximately 19.0% to approximately HK\$487.9 million as compared with that of the previous corresponding period. Without taking into account the revenue contributed by the discontinued garment sourcing business in 2014, the revenue for the reporting period maintained on a similar level year-on-year. Gross profit margin of the garment business surged from approximately 17.1% to 21.9%, which was mainly due to the higher value-added orders obtained by the Group's offshore manufacturing bases and partly due to the disposal of the lower-margin sourcing business.

The Group's four garment production sites are strategically located in the PRC, Indonesia, Cambodia and Jordan. Over the years, the Group has implemented an effective order allocation system to match orders with the distinct market dynamics and government policies in these four different countries so as to maximise their respective unique advantages. Noticing the rising labour costs in the PRC, the Group has devoted its onshore production site for selective high-margin orders, research and development

Business Review and Prospects



works, and sample production. In regard to the offshore production sites, the Group enjoys various competitive advantages such as relatively low labour costs, favourable taxation policies and export duty privileges in those countries. The Group benefitted notably from its production base in Jordan by taking advantage of its duty free export treatment to the US. This allowed the Group to have a substantial pricing advantage over peers from other countries when obtaining the recovering orders from the US during the reporting period.

Major Movements

Completion of top-up placings and subscriptions of a total of 286,460,000 shares with net proceeds of approximately HK\$281.5 million

On 25 September 2015 and 6 November 2015, the Group completed two top-up share placings and subscriptions of 186,460,000 shares and 100,000,000 shares respectively at placing price of HK\$1.0 per share. The total net proceeds amounted to approximately HK\$281.5 million. The two successful transactions reflected the market's confidence in the Group's business fundamentals and directions, and will provide additional funding for the Group's future developments in fabric manufacturing business, specifically the expansion of synthetic fabric production as well as establishment of the Group's new fabric printing operation.

PROSPECTS

According to the US Department of Labor, the US unemployment rate fell to 5.1% in September 2015, marking the lowest point since May 2008. With the US as its principal export market, such steady economic recovery in the US outlines an encouraging outlook for the Group. However, as the PRC is currently at a slowdown in the economic cycle, the Group remains cautiously optimistic on the near-term outlook of the textile and garment industry. The Group will continue to leverage on its prominent market position, extensive client network and well-established regional production bases to swiftly respond to the ever-changing market.

Business Review and Prospects



In recent decades, economic growth around the globe has raised the overall living standard of people in general, which has gradually lifted the demand for functional fabric and clothing. According to the International Trade Administration, the total value of US imported man-made fibre apparel products recorded 8.8% year-on-year growth in 2014 and achieved an even higher double-digit increase of 11.8% year-on-year for the first nine months in 2015. As technology advances, a wide variety of functional textiles, including waterproof, stretchy, flame-resistant and wrinkle free fabric etc. can be manufactured for different occasions and purposes. Having recognised the huge market potential, the Group has been dedicating efforts in the research and development work and production of the Group's synthetic fabrics in recent years to satisfy the requirements of its brand-name customers. Currently, revenue of synthetic fabric accounted for less than 10% of the Group's total revenue. Yet, the Group is rigorously assessing the feasibility of capacity expansion in the next financial year in 2016/17, to cope with the growing demand from the market and open up new opportunities.

The Group also follows closely to different government policies. The Trans-Pacific Partnership ("TPP") is a high-standard free trade agreement that facilitates international trade between 12 participating Pacific Rim countries, including the US, Vietnam, Malaysia and Brunei etc. Under the TPP agreement, the participating countries enjoy lower trade barriers such as tariff. The Group will closely monitor the updates on TPP and the market situation in the corresponding TPP countries.

Looking ahead, the Group will continue to strengthen the competitiveness of its one-stop vertically integrated business model. In the backdrop of having a handful of market opportunities ahead, the Group will endeavour to achieve sustainability and stability of its business so as to secure the best interest of its shareholders.

Business Review and Prospects

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2015, the Group had total assets of approximately HK\$10,399 million (31 March 2015: HK\$10,069 million) which were financed by current liabilities of approximately HK\$3,424 million (31 March 2015: HK\$2,894 million), long term liabilities of approximately HK\$1,457 million (31 March 2015: HK\$1,661 million) and shareholders' equity of approximately HK\$5,367 million (31 March 2015: HK\$5,369 million). The current ratio was approximately 2.0 (31 March 2015: 2.2) and the gearing ratio, being defined as net debt (representing by total bank borrowings net of cash and cash equivalents) to shareholders' funds, was approximately 27.7% (31 March 2015: 32.1%). 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.



Business Review and Prospects

Capital Expenditure

During the period, the Group invested approximately HK\$208 million on additions to property, plant and equipment.

As at 30 September 2015, the Group had capital commitments of approximately HK\$17.9 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 2015, certain property, plant and equipment, prepaid lease payments and investment property of the Group with net book value of approximately HK\$399 million (31 March 2015: HK\$406 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 30 September 2015, the total number of employees of the Group was approximately 1,690 in Cambodia, approximately 1,900 in Jordan, approximately 1,300 in Indonesia, approximately 5,350 in the PRC and approximately 130 in Hong Kong, Macau and other places. Remuneration packages are generally structured with 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 for the growth of the Group.



OTHER DISCLOSURES

INTERIM DIVIDEND

The board of Directors has resolved to declare an interim dividend of HK4.0 cents (2014: HK5.0 cents) per share of the Company (the “Share”) for the six months ended 30 September 2015. The interim dividend will be payable on or about 11 March 2016 to the Shareholders whose names appear on the register of members of the Company on 30 December 2015 with a scrip alternative to offer the right to the 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 as soon as practicable. The scrip dividend scheme is subject to the following conditions: (a) the issue price of a new Share to be issued pursuant thereto being not less than the nominal value of a Share; and (b) the granting by the Listing Committee of the Stock Exchange the listing of and permission to deal in the new Shares to be issued pursuant thereto.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the six months ended 30 September 2015, the register of members of the Company will be closed from 28 December 2015 to 30 December 2015 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for the interim dividend for the six months ended 30 September 2015, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 24 December 2015.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 September 2015, 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 (Chapter 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 Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Other Disclosures

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	428,488,000 Shares (L) (Note 2)	—	20.89% (Note 26)
	The Company	Beneficial owner	—	1,200,000 Shares (L) (Note 4)	0.06%
	Victory City Company Limited (Note 23)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%
	Victory City Overseas Limited (Note 23)	Beneficial owner	1,300 redeemable non- voting preference shares of US\$1.00 each (L)	—	39.4%
Chen Tien Tui	The Company	Founder of a trust	428,488,000 Shares (L) (Note 3)	—	20.89% (Note 26)
	The Company	Beneficial owner	2,250,000 Shares (L)	—	0.11%
	The Company	Beneficial owner	—	1,200,000 Shares (L) (Note 4)	0.06%
	Victory City Company Limited (Note 23)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%
	Victory City Overseas Limited (Note 23)	Beneficial owner	1,300 redeemable non- voting preference shares of US\$1.00 each (L)	—	39.4%
Choi Lin Hung	The Company	Beneficial owner	8,500,000 Shares (L)	—	0.41%
	The Company	Beneficial owner	—	12,000,000 Shares (L) (Note 5)	0.58%

Other Disclosures

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
	Victory City Overseas Limited (Note 23)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	—	21.2%
	Sure Strategy (Note 23)	Interest of controlled corporation	49 ordinary shares of US\$1.00 each (L) (Note 6)	—	49%
	Ford Glory Holdings Limited (“FG Holdings”) (Note 23)	Interest of controlled corporation	100 ordinary shares of US\$1.00 each (L) (Note 7)	—	100%
	Brilliant Fashion Inc. (Note 23)	Interest of controlled corporation	100 common shares of no par value (L) (Note 12)	—	100%
	Ford Glory International Limited (Note 23)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 13)	—	100%
	Glory Time Limited (Note 23)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 14)	—	70%
	Mayer Apparel Limited (Note 23)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 11)	—	51%
	PT. Victory Apparel Semarang (Note 23)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) (Note 10)	—	100%
	Surefaith Limited (Note 23)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	—	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 23)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 15)	—	100%

Other Disclosures

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
	Victory Apparel (Jordan) Manufacturing Company Limited (Note 23)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 9)	—	100%
	Wealth Choice Limited (Note 23)	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 23)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 8)	—	100%
	Gojifashion Inc. (Note 24)	Interest of controlled corporation	100 common shares of no par value (L) (Note 12)	—	50%
	Happy Noble Holdings Limited (Note 23)	Interest of controlled corporation	70 ordinary shares of US\$1.00 each (L) (Note 13)	—	70%
	Sky Winner Investment Limited (Note 23)	Interest of controlled corporation	100 ordinary shares of HK\$1.00 each (L) (Note 16)	—	100%
	福源創業信息諮詢服務 (深圳) 有限公司 (Note 23)	Interest of controlled corporation	Registered capital of HK\$3,000,000 (L) (Note 8)	—	100%
	Rocwide Limited (Note 23)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	—	100%
	Jiangmen V-Apparel Manufacturing Ltd. (Note 23)	Interest of controlled corporation	Registered capital of HK\$31,260,000 (L) (Note 17)	—	100%
	One Sino Limited (Note 23)	Interest of controlled corporation	100 ordinary shares of US\$1.00 each (L) (Note 13)	—	100%

Other Disclosures

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 (Cambodia) Manufacturing Limited (Note 23)	Interest of controlled corporation	Registered capital of US\$1,000,000 (L) (Note 18)	—	100%
	藝田貿易（上海）有限公司 (Note 23)	Interest of controlled corporation	Registered capital of HK\$5,000,000 (L) (Note 19)	—	100%
	Global Trend Investments Limited (Note 23)	Interest of controlled corporation	1,100,000 ordinary shares of US\$1.00 each (L) (Note 9)	—	100%
	Jerash Garments & Fashions Manufacturing Company Ltd. (Note 23)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 20)	—	100%
	Talent Partner Holdings Limited (Note 23)	Interest of controlled corporation	51 ordinary shares of US\$1.00 each (L) (Note 21)	—	51%
	Green Expert Global Limited (Note 23)	Interest of controlled corporation	1 ordinary share of US\$1.00 each (L) (Note 22)	—	100%
	Major Time Limited (Note 23)	Interest of controlled corporation	1 ordinary share of HK\$1.00 each (L) (Note 22)	—	100%
	Just Perfect Holdings Limited (Note 23)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	—	100%
	Chinese Garments and Fashions Manufacturing Company Limited (Note 23)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 25)	—	100%

Other Disclosures

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
	Jerash for Industrial Embroidery Company Limited (Note 23)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 25)	—	100%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	—	5,000,000 Shares (L) (Note 5)	0.24%
Phaisalakani Vichai	The Company	Beneficial owner	584,000 Shares (L)	—	0.03%

Notes:

- The letter "L" represents the Director's interests in the shares and underlying shares of the Company or its associated corporations.
- These Shares were held by Pearl Garden. Pearl Garden is wholly-owned by Cornice Worldwide Limited ("Cornice"), the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members.
- These Shares were held by Madian Star. Madian Star is wholly-owned by Yonice Limited ("Yonice"), the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui's family members.
- On 2 April 2012, each of Mr. Li Ming Hung and Mr. Chen Tien Tui was granted 1,200,000 options under the share option scheme of the Company to subscribe for 1,200,000 Shares, exercisable at a price of HK\$0.782 per Share during a period from 2 April 2012 to 1 April 2017.
- On 2 April 2012, each of Mr. Choi Lin Hung and Mr. Lee Yuen Chiu, Andy was granted 12,000,000 and 5,000,000 options respectively under the share option scheme of the Company to subscribe for 12,000,000 Shares and 5,000,000 Shares respectively, exercisable at a price of HK\$0.782 per Share during a period from 2 April 2012 to 1 April 2017.
- These shares were held by Merlotte. Sure Strategy was owned as to 49% by Merlotte, a company wholly-owned by Mr. Choi Lin Hung, and as to 51% owned by Victory City Investments, a wholly-owned subsidiary of the Company.
- These ordinary shares were held by Sure Strategy.

Other Disclosures

8. This registered capital was beneficially owned by Ford Glory International Limited which is a wholly-owned subsidiary of FG Holdings.
9. These shares was beneficially owned by Wealth Choice Limited which is a wholly-owned subsidiary of FG Holdings.
10. These shares was beneficially owned by Surefaith Limited which is a wholly-owned subsidiary of FG Holdings.
11. Mayer Apparel Limited is 51% owned by FG Holdings.
12. These common shares were beneficially owned by FG Holdings.
13. These shares were beneficially owned by FG Holdings.
14. Glory Time Limited is 70% owned by FG Holdings.
15. This quota capital was beneficially owned by FG Holdings.
16. These shares were held by Happy Noble Holdings Limited.
17. The registered capital was beneficially owned as to 40% by FG Holdings and as to 60% by Rocwide Limited.
18. This registered capital was held by One Sino Limited.
19. This registered capital was beneficially owned by Sky Winner Investment Limited.
20. These shares were held by Global Trend Investments Limited.
21. Talent Partner Holdings Limited is 51% owned by FG Holdings.
22. This common stock or ordinary share, as the case may be, was beneficially owned by Talent Partner Holdings Limited.
23. These companies are subsidiaries of the Company.
24. Although Gojifashion Inc. is not a subsidiary of the Company, it is an associated corporation (within the meaning of Part XV of the SFO) of the Company.
25. These shares were held by Jerash Garments & Fashions Manufacturing Company Ltd..
26. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately held over 30% of the voting share capital of the Company, which complied with the condition of a syndicated loan borrowed by the Group.

Other Disclosures

Save as disclosed above in this report, as at 30 September 2015, 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 Appendix 10 to the Listing Rules.

Other Disclosures

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

As at 30 September 2015, 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 enquiry by the Directors, the following persons (other than the Directors and the chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person/entity	Number of Shares (Note 1)	Capacity	Approximate % of interest
Pearl Garden	428,488,000 (L)	Beneficial owner (Note 2)	20.89%
Cornice	428,488,000 (L)	Interest of controlled corporation (Note 2)	20.89%
Madian Star	428,488,000 (L)	Beneficial owner (Note 3)	20.89%
Yonice	428,488,000 (L)	Interest of controlled corporation (Note 3)	20.89%
Fiducia Suisse SA	856,976,000 (L)	Trustee (Notes 2 & 3)	41.78%
David Henry Christopher Hill	856,976,000 (L)	Interest of controlled corporation (Note 6)	41.78%
Rebecca Ann Hill	856,976,000 (L)	Interest of spouse (Note 7)	41.78%
Ho Yuen Mui, Shirley	429,688,000 (L)	Interest of spouse (Note 4)	20.95%
Or Kwai Ying	431,938,000 (L)	Interest of spouse (Note 5)	21.06%
Templeton Asset Management Limited	253,199,766 (L)	Investment manager	12.34%
Delta Lloyd Asset Management NV	117,248,463 (L)	Investment manager	5.72%

Other Disclosures

Notes:

1. The letter “L” represents the person’s or entity’s interests in the Shares and underlying Shares.
2. These Shares were held by Pearl Garden. Pearl Garden is wholly-owned by Cornice, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung’s family members. Mr. Chen Tien Tui is a director of each of Pearl Garden and Cornice.
3. These Shares were held by Madian Star. Madian Star is wholly-owned by Yonice, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui’s family members. Mr. Li Ming Hung is a director of each of Madian Star and Yonice.
4. Ms. Ho Yuen Mui, Shirley is the wife of Mr. Li Ming Hung.
5. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.
6. These Shares were held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung’s family members and Mr. Chen Tien Tui’s family members. Fiducia Suisse SA is wholly-owned by Mr. David Henry Christopher Hill.
7. Ms. Rebecca Ann Hill is the wife of Mr. David Henry Christopher Hill.

Save as disclosed above, so far as is known to the Directors, as at 30 September 2015, there was no person or entity (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 (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 an ordinary resolution passed at the special general meeting of the Company held on 15 March 2011, the share option scheme adopted by the Company pursuant to an ordinary resolution passed at the special general meeting held on 30 November 2001 was terminated and the existing share option scheme (the “Scheme”) of the Company was adopted.

Other Disclosures

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

Category	Date of grant	Exercise price per share (HK\$)	Exercisable period	Number of share options					Outstanding at 30 September 2015
				Outstanding at 1 April 2015	Granted	Exercised	Cancelled	Lapsed	
Directors (Note 1)	2/4/2012	0.782	2/4/2012 to 1/4/2017	19,400,000	—	—	—	—	19,400,000
Other employees (Note 2)	2/4/2012	0.782	2/4/2012 to 1/4/2017	87,000,000	—	2,550,000	—	—	84,450,000
				106,400,000	—	2,550,000	—	—	103,850,000

Notes:

- Details of options granted to each of the Directors are set out in the paragraph headed “Directors’ and chief executives’ interest in shares and underlying shares” in this report above.
- 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 (Chapter 57 of the Laws of Hong Kong).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had complied throughout the six months ended 30 September 2015 with the code provisions set out in 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 2015.

Other Disclosures

AUDIT COMMITTEE

The board of Directors has established an audit committee (“Committee”) with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 to the Listing Rules. 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 2015 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 has been made.

CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmation from the Director, save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Name of Director	Details of changes in Director’s particulars subsequent to 2015 annual report
Phaisalakani Vichai (Andy Hung)	Mr. Phaisalakani resigned from his position as a senior consultant of Walker Group Holdings Limited, a company listed on the Main Board of the Stock Exchange on 30 September 2015.

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

Li Ming Hung
Chairman

Hong Kong, 27 November 2015



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