



2019/20
INTERIM REPORT
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 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 ADVISERS AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

MAJOR BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
First Commercial Bank Limited
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Cathay United Bank Company, Limited
CTBC Bank Co., Ltd.

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
Level 54, 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 2019

	Note	Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	2,571,603	2,724,508
Cost of sales		(2,110,554)	(2,237,270)
Gross profit		461,049	487,238
Other income		62,135	32,460
Other gains and losses	4	92,188	(242)
Distribution and selling expenses		(62,428)	(68,516)
General and administrative expenses		(207,338)	(196,319)
Finance costs		(122,955)	(105,932)
Profit before taxation		222,651	148,689
Income tax expense	5	(17,442)	(19,895)
Profit for the period	6	205,209	128,794
Other comprehensive (expense) income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(503,127)	(791,731)
Fair value change of a financial asset at fair value through other comprehensive income		—	1,858
Other comprehensive expense for the period		(503,127)	(789,873)
Total comprehensive expense for the period		(297,918)	(661,079)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Note	Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		204,577	136,999
Non-controlling interests		632	(8,205)
		205,209	128,794
Total comprehensive expense for the period attributable to:			
Owners of the Company		(296,511)	(645,925)
Non-controlling interests		(1,407)	(15,154)
		(297,918)	(661,079)
Earnings per share	8		(restated)
Basic		HK27.2 cents	HK27.2 cents
Diluted		HK19.2 cents	HK24.3 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Note	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	5,088,637	5,092,721
Prepaid lease payments		—	181,183
Investment properties	9	139,235	188,571
Right-of-use assets	9	111,959	—
Goodwill	10	—	—
Financial assets at fair value through profit or loss	11	126,173	125,279
Deferred tax assets	12	1,888	1,888
Deposit paid for acquisition of property, plant and equipment		1,685	7,423
		5,469,577	5,597,065
Current assets			
Inventories		3,047,725	3,139,573
Trade and bills receivables	13	1,787,713	1,843,541
Deposits, prepayments and other receivables		204,026	214,602
Prepaid lease payments		—	4,816
Taxation recoverable		—	311
Restricted bank deposit	16	6,057	6,418
Bank balances and cash		2,078,120	2,454,951
		7,123,641	7,664,212
Assets classified as held for sale	17	79,463	—
		7,203,104	7,664,212

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Note	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Current liabilities			
Trade and bills payables	18	421,722	551,061
Other payables and accruals		155,594	173,707
Contract liabilities		7,566	27,570
Dividend payable		189	189
Taxation payable		106,081	80,365
Lease liabilities		2,362	—
Derivative financial instruments	15	1,121	1,511
Bank borrowings — amount due within one year	19	2,420,585	2,692,876
Convertible bonds	20	434,695	389,611
		3,549,915	3,916,890
Liabilities of disposal group classified as held for sale	17	9,671	—
		3,559,586	3,916,890
Net current assets		3,643,518	3,747,322
Total assets less current liabilities		9,113,095	9,344,387
Capital and reserves			
Share capital	21	77,691	51,794
Reserves		6,675,868	6,727,501
		6,753,559	6,779,295
Equity attributable to owners of the Company		6,753,559	6,779,295
Non-controlling interests		24,065	25,472
Total equity		6,777,624	6,804,767

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Note	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Non-current liabilities			
Bank borrowings — amount due after one year	19	2,262,377	2,444,271
Deferred tax liabilities	12	72,890	95,349
Lease liabilities		204	—
		2,335,471	2,539,620
		9,113,095	9,344,387

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company												Attributable to non-controlling interests	Total
	Share capital	Share premium	Special reserve	Convertible bonds equity reserve	Capital redemption reserve	Capital reserve	Translation reserve	Share option reserve	Investments revaluation reserve	Property revaluation reserve	Accumulated profits	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 2018 (audited)	50,317	2,994,570	1,961	37,085	39	76,229	528,101	21,246	–	28,212	3,201,952	6,939,712	39,289	6,979,001
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	–	136,999	136,999	(8,205)	128,794
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(784,782)	–	–	–	–	(784,782)	(6,949)	(791,731)
Fair value change of a financial asset at fair value through other comprehensive income	–	–	–	–	–	–	–	–	1,858	–	–	1,858	–	1,858
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(784,782)	–	1,858	–	136,999	(645,925)	(15,154)	(661,079)
2018 Final dividend declared but not yet paid	–	–	–	–	–	–	–	–	–	–	(50,317)	(50,317)	–	(50,317)
At 30 September 2018 (unaudited)	50,317	2,994,570	1,961	37,085	39	76,229	(256,681)	21,246	1,858	28,212	3,288,634	6,243,470	24,135	6,267,605
At 1 April 2019 (audited)	51,794	3,010,545	1,961	37,085	39	76,229	111,739	21,246	–	30,752	3,437,905	6,779,295	25,472	6,804,767
Profit for the period	–	–	–	–	–	–	–	–	–	–	204,577	204,577	632	205,209
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(501,088)	–	–	–	–	(501,088)	(2,039)	(503,127)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(501,088)	–	–	–	204,577	(296,511)	(1,407)	(297,918)
Modification of convertible bonds	–	–	–	(1,695)	–	–	–	–	–	–	1,695	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	15,133	–	–	–	15,133	–	15,133
Rights issue (Note 21)	25,897	226,047	–	–	–	–	–	–	–	–	–	251,944	–	251,944
Recognition of equity component of convertible bonds (Note 20)	–	–	–	3,698	–	–	–	–	–	–	–	3,698	–	3,698
At 30 September 2019 (unaudited)	77,691	3,236,592	1,961	39,088	39	76,229	(389,349)	36,379	–	30,752	3,644,177	6,753,559	24,065	6,777,624

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Note	Six months ended 30 September 2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net cash from operating activities		487,672	322,399
Net cash used in investing activities:			
Purchase of property, plant and equipment		(474,946)	(354,519)
Deposit paid for acquisition of property, plant and equipment		(495)	(1,462)
Disposal of right-of-use assets		138,728	—
Interest received		41,663	13,685
Deposit received from disposal of an investment property		6,300	—
Deposit received from disposal of subsidiaries		780	—
Withdrawal of restricted bank deposit		—	58,165
Other investing cash flows		60	687
		(287,910)	(283,444)
Net cash used in financing activities:			
Net amount of import loans, export loans, trust receipts loans and term loans (repaid) raised		(637,910)	71,480
Repayment of bank loans	19	(412,604)	(346,463)
Principal portion of lease payments		(3,684)	—
Repayment of mortgage loans		(364)	—
Interest portion of lease payments		(177)	—
New bank loans raised	19	252,342	223,857
Proceeds from rights issue		251,944	—
Proceeds from issue of convertible bonds	20	64,000	—
New mortgage loans raised		42,250	—
		(444,203)	(51,126)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Note	Six months ended	
		30 September	2018
		2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Decrease in cash and cash equivalents		(244,441)	(12,171)
Cash and cash equivalents at beginning of the period		2,454,951	2,800,895
Effect of foreign exchange rate changes		(132,134)	(179,124)
Cash and cash equivalents at end of the period, represented by bank balances and cash		2,078,376	2,609,600
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		2,078,120	2,609,600
Assets of disposal group classified as held for sale	17	256	—
		2,078,376	2,609,600

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments, which are measured at fair value.

Other than the application of accounting policies for non-current assets held for sale and non-substantial modifications of financial liabilities and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the annual financial statements of Victory City International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations.

2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transitional provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Right-of-use assets *(continued)*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Ownership interest in leasehold land and building

When the Group makes payments for ownership interests in properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Ownership interest in leasehold land and building (continued)

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” (upon application of HKFRS 16) in the condensed consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire property are classified as property, plant and equipment.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value and subsequently at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Lease liabilities *(continued)*

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change due to changes in market rental rates following a market rent review, in which the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Lease modifications *(continued)*

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received which are included in other payables and accruals are accounted under HKFRS 9 and are initially measured at fair value and subsequently at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessor (continued)

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which have already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

The Group recognised lease liabilities of HK\$12,870,000 and right-of-use assets of HK\$198,869,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessees’ incremental borrowing rate applied is 4.31% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

As a lessee (continued)

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	13,449
Lease liabilities discounted at relevant incremental borrowing rates as at 1 April 2019	12,870
Analysed as:	
Current	6,581
Non-current	6,289
	12,870
The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:	
	HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	12,870
Reclassified from prepaid lease payments (note)	185,999
	198,869
By class:	
Leasehold land	185,999
Office premises and warehouses	12,870
	198,869

note: Upfront payments for leasehold land in the People's Republic of China (the “PRC”) were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$4,816,000 and HK\$181,183,000 respectively were reclassified to right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group’s condensed consolidated statement of financial position at 1 April 2019. The application has had no impact on the Group’s condensed consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received which are included in other payables and accruals were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, the discounting effect has had no material impact on the condensed consolidated financial statements of the Group at 1 April 2019.
- (c) Effective on 1 April 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

As a lessor (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
<i>Non-current assets</i>			
Prepaid lease payments	181,183	(181,183)	—
Right-of-use assets	—	198,869	198,869
<i>Current assets</i>			
Prepaid lease payments	4,816	(4,816)	—
<i>Current liabilities</i>			
Lease liabilities	—	(6,581)	(6,581)
<i>Non-current liabilities</i>			
Lease liabilities	—	(6,289)	(6,289)

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

Adoption of new accounting policies

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset and disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for investment property which continue to be measured in accordance with HKAS 40 “Investment Property”.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities’ original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Types of goods or service		
Production and sales of knitted fabric and dyed yarn	2,430,217	2,524,271
Production and sales of garment products	141,386	200,237
	2,571,603	2,724,508
Timing of revenue recognition		
At a point in time	2,571,603	2,724,508

Performance obligations for contracts with customers

Production and sales of knitted fabric, dyed yarn and garment products

The Group produces and sells the knitted fabric, dyed yarn and garment products to customers directly. Revenue is recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products. The normal credit term is 30 to 120 days upon delivery.

The Group's operations are organised into two operating segments, information of which is used by the executive directors, being the chief operating decision maker, for the purposes of performance evaluation and resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Details of the Group's two reportable segments are as follows:

- (i) Knitted fabric and dyed yarn — Production and sale of knitted fabric and dyed yarn
- (ii) Garment products — Production and sale of garment products

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

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended 30 September 2019				
REVENUE				
External sales	2,430,217	141,386	—	2,571,603
Inter-segment sales	3,309	—	(3,309)	—
Segment revenue	2,433,526	141,386	(3,309)	2,571,603
RESULTS				
Segment results	223,124	(13,313)	—	209,811
Unallocated corporate income				53,488
Other gains and losses				101,484
Unallocated corporate expenses				(19,177)
Finance costs				(122,955)
Profit before taxation				222,651

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION *(continued)*

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended 30 September 2018				
REVENUE				
External sales	2,524,271	200,237	—	2,724,508
Inter-segment sales	9,686	—	(9,686)	—
Segment revenue	2,533,957	200,237	(9,686)	2,724,508
RESULTS				
Segment results	254,303	(8,919)	—	245,384
Unallocated corporate income				25,008
Other gains and losses				(8,323)
Unallocated corporate expenses				(7,448)
Finance costs				(105,932)
Profit before taxation				148,689

Segment results represent the profit earned/loss incurred by each segment without allocation of interest income, rental income, impairment loss recognised on goodwill, net gain (loss) on fair value change of derivative financial instruments, charge on early termination of a derivative financial instrument, gain on fair value change of financial assets at fair value through profit or loss, net loss on disposal of property, plant and equipment, gain on fair value change of investment properties, gain on disposal of right-of-use assets, loss from litigation claims, gain on disposal of right-of-use assets, and gain on modification of convertible bonds, 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 2019

3. REVENUE AND SEGMENT INFORMATION *(continued)*

No analysis of segment assets and liabilities is presented because there has not been a material change from the amounts disclosed in the last annual financial statements for the reportable segments.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Gain on disposal of right-of-use assets (note i)	67,250	—
Gain on modification of convertible bonds (Note 20)	25,198	—
Gain on fair value change of investment properties	10,703	2,114
Gain on fair value change of financial assets at fair value through profit or loss	894	1,403
Net foreign exchange (loss) gain	(6,149)	8,081
Impairment loss recognised on property, plant and equipment (Note 17)	(3,147)	—
Loss from litigation claims (note ii)	(2,768)	—
Net gain (loss) on fair value change of derivative financial instruments	47	(3,425)
Net loss on disposal of property, plant and equipment	(187)	(294)
Charge on early termination of a derivative financial instrument	—	(2,480)
Impairment loss recognised on goodwill (Note 10)	—	(6,185)
Others	347	544
	92,188	(242)

notes:

- (i) On 3 July 2019, Nanjing Synergy Textiles Limited ("Nanjing Synergy"), a wholly owned subsidiary of the Company, entered into a resumption and relocation agreement with a limited liability company which is controlled by the State-owned Assets Supervision and Administration Office of the People's Government of Jiangning District, Nanjing (the "Nanjing Government") under which Nanjing Synergy agreed to surrender a piece of land in Jiangning District, Nanjing (which is classified as right-of-use assets) to the Nanjing Government with consideration for RMB120,000,000 (equivalent to HK\$138,728,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. OTHER GAINS AND LOSSES *(continued)*

notes: *(continued)*

(i) *(continued)*

In current interim period, Nanjing Synergy recognised gain on disposal of right-of-use assets as below:

	30 September 2019 HK\$'000
Proceed received	138,728
Carrying amount of right-of-use assets	(71,478)
	67,250

(ii) The amount is related to the loss suffered by the Group as a result of certain court cases brought against a wholly owned subsidiary of the Company arising from the use of certain unfulfilled trade bills and sales contracts which bear the company seal of the above subsidiary as collaterals by an independent third party supplier (the "Borrower") during the year ended 31 March 2017. The Borrower obtained borrowings from banks and other lenders in the PRC (the "Lenders") but subsequently failed to repay. The Lenders took legal actions against the above subsidiary to enforce their rights in relation to the collaterals. While the subsidiary defended these vigorously, the directors of the Company (the "Directors") reviewed, during the preparation of consolidated financial statements for the year ended 31 March 2017, the then circumstances and, taking into consideration the opinion from a legal counsel, recognised a provision for loss of HK\$17,422,000 in the consolidated financial statements for that financial year.

During the year ended 31 March 2019, certain court hearings for the above legal actions taken by certain Lenders were held and the decisions were in favour of the Lenders. The subsidiary had negotiated with some of the Lenders for mutually agreed amounts of settlements. Taking into account of further legal advices, provision with an aggregate amount of HK\$46,124,000 was recognised in profit or loss for the year ended 31 March 2019, which included full provision of HK\$5,952,000 for two cases which were still in the process of court hearing as at 31 March 2019 based on the opinion from a legal counsel.

During the current interim period and subsequent to the current interim period, court decisions were issued for the remaining two cases which were in favour of the Lender. The Group recognised loss of total HK\$2,768,000 which is the accrued interest on the Lender's claimed amounts ordered by the courts for the six months ended 30 September 2019. The Directors consider that the chance of incurring further significant losses in relation to the above matter was remote based on the opinion from a legal counsel.

The Directors are seeking legal advices and may consider to lodge appeals for certain cases and to initiate legal proceedings against the Borrower to recover the subsidiary's losses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Current tax:		
Hong Kong Profits Tax	1,792	5,004
Enterprise Income Tax ("EIT") in the PRC	33,345	9,874
	35,137	14,878
Deferred tax for the current interim period (Note 12)	(17,695)	5,017
	17,442	19,895

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 for both periods, except for one (six months ended 30 September 2018: nil) PRC subsidiary which qualifies as High New Technology Enterprises and enjoys a preferential tax rate of 15% since December 2017. The preferential tax rate is applicable for three years up to December 2020 and subject to renewal, as determined in accordance with relevant income tax rules and regulations in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

5. INCOME TAX EXPENSE *(continued)*

PRC *(continued)*

For the disposal of right-of-use assets as set out in Note 4(i), no land appreciation tax (“LAT”) was provided for the disposal as management is of the view that this disposal would qualify for exemption for LAT and that approval from the relevant tax authority will be successfully obtained. The relevant amount of tax charge is HK\$51,537,000, being LAT of HK\$68,716,000 with a corresponding reduction in EIT of HK\$17,179,000.

Macau

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

Other jurisdictions

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

6. PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	184,179	165,025
Depreciation of right-of-use assets	5,644	—
Release of prepaid lease payments	—	2,424
Share-based payment expenses, included in general and administrative expenses (Note 22)	15,133	—
Bank interest income	(41,663)	(13,685)
Rental income from investment properties and equipment (net of negligible outgoings)	(11,825)	(11,323)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

7. DISTRIBUTION

No dividend was declared or paid in the current interim period. During the six months ended 30 September 2018, a final dividend of HK1.0 cent per share in respect of the year ended 31 March 2018, in cash with a scrip dividend option, was declared to the shareholders of the Company (the "Shareholders").

The Directors do not recommend the payment of an interim dividend for both interim periods.

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	
	2019	2018
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company		
for the purpose of basic earnings per share	204,577	136,999
Effect of dilutive potential ordinary shares:		
Gain on modification of convertible bonds	(25,198)	—
Interest on convertible bonds	19,980	19,699
Earnings for the purpose of diluted earnings per share	199,359	156,698

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

8. EARNINGS PER SHARE *(continued)*

	Six months ended	
	30 September	
	2019	2018
	'000	'000
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	752,722	503,174
Effect of dilutive potential ordinary shares:		
Convertible bonds	285,742	133,333
Scrip dividend option	—	7,446
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,038,464	643,953

The weighted average number of ordinary shares for the purposes of calculating basic earnings per share for six months ended 30 September 2018 has been adjusted, taking into account the share consolidation (the "Share Consolidation") on 24 June 2019 and the bonus element of the rights issue on 18 April 2019 which were completed during the current interim period. Details of the Share Consolidation and rights issue of shares are set out in Note 21.

The computation of diluted earnings per share for the both periods does not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for both periods.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND RIGHT-OF-USE ASSETS

During the current interim period, the Group had additions to property, plant and equipment of approximately HK\$481,179,000 (six months ended 30 September 2018: HK\$368,000,000).

In addition, during the current interim period, the Group reclassified HK\$14,315,000 to assets of disposal group classified as held for sale and recognised an impairment of HK\$3,147,000 following initial classification as held for sale.

Investment property with carrying amount of HK\$54,600,000 were reclassified to assets held for sale during the current interim period. The Group's investment properties at the end of the current interim period were fair-valued by Roma Appraisals Limited, an independent firm of valuers not connected with the Group. The valuation was determined using the depreciated replacement costs approach, income approach, or by reference to recent market prices and market rental for similar properties in similar locations and conditions, where appropriate. During the current interim period, the Group recognised net increase in the fair value of investment properties of HK\$10,703,000 (six months ended 30 September 2018: HK\$2,114,000) in profit or loss.

Upon the adoption of HKFRS 16 on 1 April 2019, the Group recognised right-of-use assets of HK\$198,869,000 as detailed in Note 2. During the current interim period, right-of-use assets of HK\$6,565,000 were reclassified as assets of disposal group classified as held for sale, and HK\$71,478,000 were disposed of with a gain on disposal of HK\$67,250,000 recognised with details set out in Note 4.

10. IMPAIRMENT OF GOODWILL

As explained in Note 3, the Group has two (six months ended 30 September 2018: two) operating segments. For the purpose of impairment testing, goodwill was allocated to an individual cash-generating unit ("CGU") under the Group's production and sale of garment products segment. That CGU represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

For the six months ended 30 September 2018, impairment loss amounting to HK\$6,185,000 was recognised in respect of the above CGU due to the continuous deterioration of performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2019 HK\$'000	At 31 March 2019 HK\$'000
Investment in an unlisted trust fund (note i)	1,701	2,057
Life insurance policies (note ii)	124,472	123,222
	126,173	125,279

notes:

- (i) The above investment in an unlisted trust fund is measured at fair value. The trust fund invested in a wide range of equity or debt investment products. The fair value is based on quoted price from a financial institution.
- (ii) The Group entered into several life insurance policies with an insurance company to insure against the death and permanent disabilities of certain executive Directors. Under the policies, the beneficiary and policy holder are the Company, Victory City Company Limited ("VC Company") and Global Honour Investments Limited, which are wholly owned subsidiaries of the Company, and the total insured sum is approximately US\$31,800,000 (equivalent to HK\$247,274,000). The contracts will be terminated on the occurrence of the earliest of the death of the key management personnel insured or other terms pursuant to the contracts. The Group has paid out the total insurance premium with an aggregate amount of approximately US\$15,327,000 (equivalent to approximately HK\$118,952,000) at the inception of the policies. The Group may request a surrender of the contracts at any time and receive cash back based on the cash value at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged. A guaranteed interest rate of 4.25%–5.20% per annum applied to the contracts for the first year, followed by the discretionary portion with a minimum guaranteed interest rate of 2%–3% per annum for the following years until termination. The fair value is based on value quoted by the insurance company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

12. DEFERRED TAXATION

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

	Fair value adjustment on prepaid lease payments, right-of-use assets and property, plant and equipment arising on business combinations HK\$'000	Accelerated tax depreciation HK\$'000	Dividend withholding tax HK\$'000	Fair value change on investment properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2018	55,860	(705)	43,547	2,118	(2,490)	98,330
(Credit) charge to profit or loss	(1,783)	35	6,698	—	67	5,017
Exchange differences	(4,997)	—	(3,500)	(193)	(13)	(8,703)
At 30 September 2018	49,080	(670)	46,745	1,925	(2,436)	94,644
At 1 April 2019	50,066	1,268	41,999	2,016	(1,888)	93,461
Credit to profit or loss	(17,668)	(27)	—	—	—	(17,695)
Exchange differences	(2,315)	—	(2,336)	(113)	—	(4,764)
At 30 September 2019	30,083	1,241	39,663	1,903	(1,888)	71,002

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

12. 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 2019 HK\$'000	31 March 2019 HK\$'000
Deferred tax assets	1,888	1,888
Deferred tax liabilities	(72,890)	(95,349)
	(71,002)	(93,461)

At the end of the current interim period, the Group has unused tax losses of HK\$212,572,000 (31 March 2019: HK\$252,844,000) available for offsetting against future profits. No deferred tax asset on the unused tax losses has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$10,078,000, HK\$7,718,000 and HK\$7,832,000 that will expire on 31 December 2020, 31 December 2023 and 31 December 2024, respectively (31 March 2019: HK\$47,748,000, HK\$12,011,000, HK\$1,397,000 and HK\$12,048,000 will expire on 31 December 2019, 31 December 2020, 31 December 2022 and 31 December 2023, respectively). The remaining unused tax losses may be carried forward indefinitely.

At the end of the current interim period, the Group has other deductible temporary difference of HK\$49,266,000 (31 March 2019: HK\$46,498,000) and HK\$185,000 (31 March 2019: HK\$684,000) in respect of accelerated accounting depreciation and unrealised fair value losses on derivative financial instruments, respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in respect of the undistributed profits from these PRC subsidiaries in the condensed consolidated financial statements up to year ended 31 March 2018. No deferred taxation was provided for the profits starting from the year ended 31 March 2019 as it is the intention of the Directors of the Group to retain the earnings within these subsidiaries in the foreseeable future and the Group is able to control the timing of the reversal of the temporary differences.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

13. TRADE AND BILLS RECEIVABLES

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

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

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
0-60 days	1,065,220	1,159,317
61-90 days	437,892	390,651
91-120 days	180,856	185,560
Over 120 days	103,745	108,013
	1,787,713	1,843,541

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSSES (“ECL”) MODEL

As part of the Group’s credit risk management, the Group applies an internal credit rating for its customers in relation to its operation.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the current interim period, no additional impairment allowance was recognised or reversed based on individual assessment for credit-impaired trade debtors and provision matrix approach for the remaining trade debtors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

15. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Liabilities	
	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Interest rate swap	1,121	1,511

16. RESTRICTED BANK DEPOSIT

The amount represented restricted bank deposit placed with a bank due to one of the court cases as set out in Note 4(ii).

17. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	30 September 2019 HK\$'000
Assets classified as held for sale	
Property, plant and equipment — car park spaces (note i)	1,184
Investment property (note i)	54,600
One Sino Group (note ii)	23,679
	79,463
Liabilities of disposal group classified as held for sale	
One Sino Group (note ii)	9,671

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

17. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

notes:

- (i) During the current interim period, Ford Glory International Limited (“FGIL”), a non-wholly owned subsidiary of the Group, and Treasure Success International Limited (“Treasure Success”), entered into a sale and purchase agreement, pursuant to which FGIL agreed to dispose of and Treasure Success agreed to purchase an investment property and four car park spaces of the Group at an aggregate consideration of HK\$63,000,000. As at 30 September 2019, the disposal has not been completed and the investment property measured at fair value of HK\$54,600,000 and four car park spaces included in property, plant and equipment measured at cost less accumulated depreciation of HK\$1,184,000 were classified as held for sale.

On 31 October 2019, one of the conditions precedent as set out in the agreement has not been satisfied. The disposal contemplated under the sale and purchase agreement did not proceed and the agreement was terminated.

- (ii) On 2 September 2019, Ford Glory Holdings Limited (“FG Holdings”), a non-wholly owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party (the “Purchaser”), pursuant to which the Purchaser conditionally agreed to purchase and FG Holdings conditionally agreed to sell its entire 100% equity interest in One Sino Limited and its subsidiary, Ford Glory (Cambodia) Manufacturing Limited, (collectively referred to as the “One Sino Group”) at a cash consideration of US\$1,280,000 (equivalent to HK\$9,984,000) plus a variable consideration based on the net current assets value of One Sino Group at the completion date. Apart from the sale and purchase agreement terms, the Director has also considered the impact from the application of HKFRS 16 on the disposal is insignificant. The One Sino Group is principally engaged in the manufacturing of garment products in Cambodia. The disposal was completed on 14 October 2019 and the One Sino Group was ceased to be subsidiaries of the Group.

In accordance of HKFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”, as at 30 September 2019, the assets and liabilities related to One Sino Group as disposal group should be measured at the lower of its carrying amount and the fair value less cost to sell at reporting date following initial classification as held for sale. As at 30 September 2019, impairment loss of HK\$3,147,000 on property, plant and equipment was recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

17. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

notes: *(continued)*

(ii) *(continued)*

	30 September 2019 HK\$'000
Assets of disposal group classified as held for sale:	
Property, plant and equipment	9,984
Right-of-use assets	6,565
Inventories	2,002
Trade receivables	1,257
Deposits, prepayments and other receivables	3,615
Bank balances and cash	256
Total	23,679
Liabilities of disposal group classified as held for sale:	
Trade payables	1,643
Other payables and accruals	1,408
Lease liabilities	6,620
Total	9,671
Assets of disposal group classified as held for sale — net	14,008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

18. 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 2019 HK\$'000	31 March 2019 HK\$'000
0-60 days	245,271	240,628
61-90 days	86,796	124,026
91-120 days	43,046	148,486
Over 120 days	46,609	37,921
	421,722	551,061

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

19. BANK BORROWINGS

During the current interim period, excluding import loans, export loans, trust receipt loans, term loans, mortgage loans, bank borrowings from discounted bills and debt factored with recourse, the Group obtained new bank loans in the amount of HK\$252,342,000 (six months ended 30 September 2018: HK\$223,857,000) and repaid bank loans in the amount of HK\$412,604,000 (six months ended 30 September 2018: HK\$346,463,000). The bank borrowings of the Group carry interest at market rates ranging from 2.96% to 5.90% per annum (31 March 2019: 2.20% to 5.51% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

20. CONVERTIBLE BONDS

CB 1 (as defined below) & CB 2 (as defined below)

On 22 September 2017, the Company issued convertible bonds to Pearl Garden Pacific Limited (“Pearl Garden”) and Madian Star Limited (“Madian Star”) with an aggregate principal sum of HK\$400,000,000 (the “CB 1”) at a total consideration of HK\$400,000,000.

CB 1 carried 5% coupon interest per annum payable in arrears semi-annually.

The holders of the CB 1 and the Company have the option to redeem the whole or part of the outstanding CB 1 at any time during the period commencing from 22 September 2017 and expiring on 23 September 2019 at par value plus accrued interest (“Holders and Issuer Redemption Options of CB 1”).

The holders of the CB1 have the right to convert the principal amount of CB 1 into ordinary shares of the Company at a conversion price of HK\$0.30 per share at any time during the period commencing from 22 September 2017 up to 23 September 2019, subject to the minimum public float requirement. On 24 June 2019, the conversion price of CB 1 has been adjusted upon the completion of the Share Consolidation from HK\$0.30 per share to HK\$3.00 per share.

At initial recognition, the equity component of the CB 1 was separated from the liability component. The equity element is presented in equity heading “convertible bonds equity reserve”. The Holders and Issuer Redemption Options of CB 1 is considered as closely related to the host debt. The effective interest rate of the liability component is 10.40% per annum.

On 26 April 2019, the Company and the holders of CB 1 entered into an agreement in relation to the redemption of the CB 1 in principal amount of HK\$400,000,000 by way of issuance of the convertible bond in an aggregate principal amount of HK\$400,000,000 (the “CB 2”).

CB 2 carried 5% coupon interest per annum payable in arrears semi-annually. Unless previously converted, the CB 2 will be fully redeemed by the Company at its principal amount upon maturity on 28 June 2021.

The holders of the CB 2 and the Company have the option to redeem the whole or part of the outstanding CB 2 at any time during the period commencing from 28 June 2019 and expiring on 28 June 2021 at par value plus accrued interest.

20. CONVERTIBLE BONDS *(continued)*

CB 1 (as defined below) & CB 2 (as defined below) *(continued)*

The holders of the CB 2 have the right to convert the principal amount of CB 2 into ordinary shares of the Company at a conversion price of HK\$1.06 per share (adjusted pursuant to the Share Consolidation) at any time during the period commencing from 28 June 2019 up to 28 June 2021, subject to the minimum public float requirement.

The redemption of CB 1 and issuance of CB 2 is accounted for as non-substantial modification of CB 1 with gain on modification of liability component of HK\$25,198,000 recognised during the current interim period. The effective interest rate of the liability component of CB 2 is 9.77% per annum.

CB 3 (as defined below)

On 13 August 2019, the Company issued convertible bonds to a third party with an aggregate principal sum of HK\$64,000,000 (the “CB 3”) at a total consideration of HK\$64,000,000.

CB 3 carried 5% coupon interest per annum payable in arrears semi-annually. Unless previously converted, the CB 3 will be fully redeemed by the Company at its principal amount upon maturity on 13 August 2021.

The holders of the CB 3 and the Company have the option to redeem the whole or part of the outstanding CB 3 at any time during the period commencing from 13 August 2019 and expiring on 13 August 2021 at par value plus accrued interest (“Holders and Issuer Redemption Options of CB 3”).

The holders of the CB 3 have the right to convert the principal amount of CB 3 into ordinary shares of the Company at a conversion price of HK\$0.64 per share at any time during the period commencing from 13 August 2019 up to 13 August 2021, subject to the minimum public float requirement.

At initial recognition, the equity component of the CB 3 was separated from the liability component. The equity element is presented in equity heading “convertible bonds equity reserve”. The Holders and Issuer Redemption Options of CB 3 is considered as closely related to the host debt. The effective interest rate of the liability component is 8.04% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

20. CONVERTIBLE BONDS *(continued)*

The movements of the liability component of the convertible bonds are set out below:

	CB 1 HK\$'000			
At 1 April 2018	369,804			
Interest accrued	19,699			
Interest paid/payable	(10,109)			
At 30 September 2018	379,394			
	CB 1 HK\$'000	CB 2 HK\$'000	CB 3 HK\$'000	Total HK\$'000
At 1 April 2019	389,611	—	—	389,611
Issue of convertible bonds	—	—	64,000	64,000
Equity component on initial recognition	—	—	(3,698)	(3,698)
Modification of convertible bonds	(389,808)	364,610	—	(25,198)
Interest payable	(9,890)	(110)	—	(10,000)
Interest accrued	10,087	9,254	639	19,980
At 30 September 2019	—	373,754	60,941	434,695

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

21. SHARE CAPITAL

	Note	Number of shares	Amount HK\$'000
Authorised:			
As at 1 April 2018, 30 September 2018, 31 March 2019 (HK\$0.01 each)		40,000,000,000	400,000
Share Consolidation	(iii)	(36,000,000,000)	—
As at 30 September 2019 (HK\$0.1 each)		4,000,000,000	400,000
Issued and fully paid:			
As at 1 April 2018 and 30 September 2018		5,031,744,205	50,317
Issue of shares pursuant to scrip dividend scheme for 2018 final dividend	(i)	147,669,002	1,477
As at 31 March 2019		5,179,413,207	51,794
Rights issue	(ii)	2,589,706,603	25,897
Share Consolidation	(iii)	(6,992,207,829)	—
As at 30 September 2019 (HK\$0.1 each)		776,911,981	77,691

notes:

- (i) On 9 November 2018, the Company issued and allotted a total of 147,669,002 shares of HK\$0.01 each at an issue price of HK\$0.11818 each in lieu of cash for the 2018 final dividends pursuant to the scrip dividend circular to the Shareholders dated 28 September 2018. These shares ranked pari passu in all respects with the then existing shares.
- (ii) On 19 February 2019, the Company announced a rights issue on the basis of one rights shares for every two existing shares held by Shareholders at a subscription price of HK\$0.098 per rights share (the "Rights Issue"). The Rights Issue was completed and 2,589,706,603 ordinary shares was issued on 18 April 2019. After deducting the expenses in connection with the Rights Issue of HK\$1,847,000, the net proceeds from issuance were HK\$251,944,000. Details of the Rights Issue were disclosed in the Company's announcements dated 19 February 2019, 13 March 2019, 17 April 2019 and prospectus dated 26 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

21. SHARE CAPITAL *(continued)*

notes: *(continued)*

- (iii) On 2 May 2019, the Company put forward to the Shareholders a proposal of Share Consolidation on the basis that every ten issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of HK\$0.1 each (“the Shares”). An ordinary resolution to approve the Share Consolidation was duly passed by the Shareholders by way of poll at the special general meeting of the Company held on 21 June 2019 where the Share Consolidation was effective on 24 June 2019.

22. SHARE-BASED PAYMENT TRANSACTIONS

The Company’s share option scheme (the “Scheme”) was adopted pursuant to a resolution passed on 15 March 2011 for the primary purpose of providing incentives to Directors and eligible employees, and will expire on 14 March 2021.

The movements of the share options under the Scheme are as follows:

	Number of share options
Outstanding as at 1 April 2018 and 31 March 2019	282,987,000
Addition after adjustment due to Rights Issue	962,156
Granted during the period	405,100,844
Share Consolidation	(620,145,001)
Outstanding as at 30 September 2019	68,904,999

Those options were immediately vested and are exercisable for a period up to 5th anniversary of the date of grant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

22. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

On 18 April 2019, the Company granted 405,100,844 new share options to the eligible Directors and eligible employees under the Scheme. The exercise price of the options granted is HK\$0.1002 per share (before Share Consolidation) while the closing price of the share immediately before the date of grant is HK\$0.10 per share (before Share Consolidation). The fair value of these options was determined to be HK\$0.0374 per option (before Share Consolidation), arrived at using the Binomial model with the following variables and assumptions:

	18 April 2019
Share price	HK\$0.098
Exercise price	HK\$0.1002
Expected life	5 years
Expected volatility	44.79%
Expected dividend yield	0%
Risk-free interest rate	1.57%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

As a result of the Share Consolidation, adjustments were made to the exercise price of and the number of the outstanding share options under the Scheme in the following manner with effect from 24 June 2019:

Date of grant	Before Share Consolidation		After Share Consolidation	
	Number of outstanding share options	Exercise price per share HK\$	Adjusted number of outstanding share options	Adjusted exercise price per share HK\$
12 October 2016	283,949,156	0.3720	28,394,915	3.7200
18 April 2019	405,100,844	0.1002	40,510,084	1.0020
	689,050,000		68,904,999	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

22. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The fair value of the share options granted was HK\$15,133,000 (six months ended 30 September 2018: nil) and the amount was fully recognised as share-based payments expense during the six months ended 30 September 2019.

23. CAPITAL COMMITMENTS

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated statement of financial position	132,116	160,685

24. RELATED PARTY DISCLOSURES

- (i) Upon the adoption of HKFRS 16 on 1 April 2019, the Group recognised right-of-use assets and lease liabilities of HK\$1,405,000 on the lease from Verdure Enterprises Limited (the “Verdure”). During the current interim period, the Group made lease payment of HK\$600,000 (six months ended 30 September 2018: HK\$600,000) Verdure and recognised interest on lease liabilities of HK\$15,000. 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.

Upon the adoption of HKFRS 16 on 1 April 2019, the Group recognised right-of-use assets and lease liabilities of HK\$606,000 on the lease from Takemain Development Limited (“Takemain”). During the current interim period, the Group made lease payment of HK\$408,000 (six months ended 30 September 2018: HK\$408,000) to Takemain and recognised interest on lease liabilities of HK\$5,000. Takemain 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.

The payments of the above lease rentals constitute exempted connected transactions under Chapter 14A of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

24. RELATED PARTY DISCLOSURES *(continued)*

- (ii) On 26 April 2019, the Company, Pearl Garden and Madian Star entered into an agreement in relation to the redemption of the CB 1 in principal amount of HK\$400,000,000 by way of issuance of the CB 2. Details of the above are set out in Note 20. Pearl Garden is an investment holding company incorporated in the British Virgin Islands (the “BVI”) whose issued share capital is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung’s family members. Madian Star is an investment holding company incorporated in the BVI whose issued share capital is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui’s family members.
- (iii) As set out in Note 17, on 15 July 2019, FGIL, a non-wholly owned subsidiary of the Group, entered into a sale and purchase agreement with Treasure Success to conditionally sell the investment property and four car park spaces at a consideration of HK\$63,000,000 in aggregate. On 31 October 2019, one of the conditions precedent as set out in the agreement was not satisfied. The disposal did not proceed and the sale and purchase agreement was terminated.

Treasure Success is a wholly owned subsidiary of Jerash Holdings (US) Inc., which is held by Mr. Choi Lin Hung, a Director and Shareholder, and Mr. Ng Tsze Lun, a director of FGIL, as to approximately 38.01% and approximately 8.73% respectively.

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

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Basic salaries and allowances	14,578	11,815
Share-based payments	1,495	—
Retirement benefit scheme contributions	262	226
	16,335	12,041

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Other than financial assets at fair value through profit or loss and derivative financial instruments which are measured at fair value, the Directors consider that the carrying amounts of other financial instruments recorded at amortised cost in these condensed consolidated financial statements approximate their fair values.

The following table gives information about how the Group determines fair value of financial assets and financial liability:

Financial instruments	Fair value as at 30 September 2019	Fair value hierarchy	Valuation technique and key inputs
Interest rate swap classified as derivative financial instruments	Liability — HK\$1,121,000 (31 March 2019: Liability — HK\$1,511,000) (Not designated for hedging)	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
Unlisted trust fund	Asset — HK\$1,701,000 (31 March 2019: Asset — HK\$2,057,000)	Level 2	Net asset value of the fund provided by the banks, which is based on the fair value of the underlying investments
Life insurance policies	Asset — HK\$124,472,000 (31 March 2019: Asset — HK\$123,222,000)	Level 2	Redemption value quoted by the insurance company

There is no transfer between level 1 and level 2 of the fair value hierarchy for the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

Reconciliation of Level 3 fair value measurements

	Structured foreign currency forward contracts HK\$'000	Interest rate collars HK\$'000	Total HK\$'000
At 1 April 2018	920	1,235	2,155
Amount paid during the period	1,549	—	1,549
Net fair value losses	(2,469)	(1,232)	(3,701)
At 30 September 2018	—	3	3

26. EVENT AFTER THE REPORTING PERIOD

Other than those set out in Note 17(i), the Group had the following significant subsequent event:

The Company issued convertible bonds to an independent third party in the principal amount of HK\$65,000,000 at a total consideration of HK\$65,000,000 on 23 October 2019. The initial conversion price is HK\$0.65 per Share and the convertible bonds bear interest of 5% per annum payable semi-annually.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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 set out on pages 3 to 49, which comprise the condensed consolidated statement of financial position as of 30 September 2019 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 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.

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
28 November 2019

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

During the first half of 2019/20, the global economy remained unstable while consumer sentiments remained sluggish. Uncertainties resulting from the trade war between the United States of America (the “US”) and the PRC noticeably increased. The financial performance of the Group was inevitably affected by a decrease in orders from customers.

For the six months ended 30 September 2019, the Group’s unaudited consolidated revenue was approximately HK\$2,572 million, representing a decrease of approximately 5.6% as compared to the previous corresponding period (1H2018: HK\$2,725 million). Gross profit decreased by approximately 5.3% to approximately HK\$461 million (1H2018: HK\$487 million). Profit attributable to owners of the Company for the reporting period amounted to approximately HK\$205 million, which included net gain on disposal of right-of-use assets of approximately HK\$64 million (1H2018: Nil), gain on modification of convertible bond of approximately HK\$25 million (1H2018: Nil), gain on fair value change of investment properties of approximately HK\$11 million (1H2018: HK\$2 million), gain on fair value change of financial assets of approximately HK\$1 million (1H2018: HK\$1 million), share-based payment of approximately HK\$15 million (1H2018: Nil), impairment loss recognised on property, plant and equipment of approximately HK\$3 million (1H2018: Nil) and additional accrued convertible bond interest of approximately HK\$10 million (1H2018: HK\$10 million). Hence, profit for core operations for the six months ended 30 September 2019 was approximately HK\$135 million after adjusting the above-mentioned non-operating gains and losses, representing a year-on-year decrease of approximately 11.2% (1H2018: HK\$152 million). Basic earnings per share was HK27.2 cents (1H2018: HK27.2 cents).

Textile Business

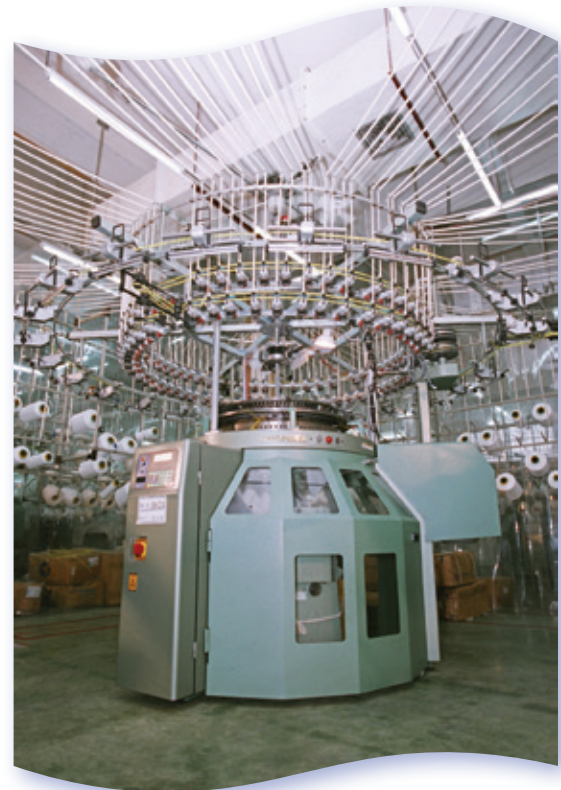
For the six months ended 30 September 2019, production and sale of knitted fabric and dyed yarn remained the major business segment of the Group, accounting for approximately 94.5% of the Group’s consolidated revenue. Revenue for the textile segment was approximately HK\$2,430 million, representing a slight decline of approximately 3.7% from the previous corresponding period (1H2018: HK\$2,524 million).



During the reporting period, cotton price recorded a downward trend which adversely affected the pricing of the Group's textile products. In addition, slowdown in order book particularly since second half of 2019 led to decrease in the Group's revenue. On the other hand, upgrading of machineries and technology automation kept the utilisation of the production capacity at high level. Together with lean management and stringent cost controls, the Group managed to counterweight the product price adjustment. As a result, revenue of the textile segment dropped slightly by approximately 3.7% and gross profit margin decreased from 18.2% to 17.9% for the six months ended 30 September 2019.

Garment Business

Revenue of the garment business for the reporting period was approximately HK\$141 million, with a decrease of approximately 29.4% from approximately HK\$200 million in the same period last year. The decrease was mainly attributable to the further consolidation of clientele to focus on customers providing steady order flows and profit margin. Gross profit slightly decreased to approximately HK\$27 million (1H2018: HK\$28 million). There was a net profit of approximately HK\$312,000 as compared to a net loss of HK\$17 million in the same period last year. The increase was mainly attributable to gain on fair value adjustment on investment properties and tax recovered upon disposal of a production facility in Indonesia in February 2019.



Major Movement

Completion of Rights Issue of a total of 2,589,706,603 rights shares with net proceeds of approximately HK\$249.3 million

On 18 April 2019, the Company issued and allotted 2,589,706,603 ordinary shares of HK\$0.01 each of the Company at a subscription price of HK\$0.098 each, by way of rights issue in the proportion of one rights share for every two shares held on 15 March 2019. The net proceeds of approximately HK\$249.3 million was used as general working capital of the Group and funding for construction of a new boiler and a new electron beam waste water treatment plant.

Please refer to the announcement of the Company dated 19 February 2019 and the circular of the Company dated 26 March 2019 for further information.

Redemption of convertible bonds by way of issuance of new convertible bonds in the principal amount of HK\$400,000,000

On 28 June 2019, the Company issued convertible bonds to its two major Shareholders, Pearl Garden and Madian Star, with an aggregate principal amount of HK\$400,000,000 (the “New Convertible Bonds”) with the rights to convert into 377,358,490 Shares of HK\$0.1 each at the adjusted conversion price of HK\$1.06 per convertible Share.

The issue of the New Convertible Bonds signified strong support from the major Shareholders to the Group and their confidence in the prospects and development of the Group. The net proceeds were used for the redemption of the convertible bonds issued to Pearl Garden and Madian Star on 22 September 2017, with an aggregate principal amount of HK\$400,000,000.

Please refer to the announcements of the Company dated 26 April 2019 and 28 June 2019, and the circular of the Company dated 5 June 2019 for further information.

Issue of convertible bonds in the principal amount of HK\$64,000,000

On 13 August 2019, the Company issued convertible bonds to Mr. Wang Chia Po, an independent third party, with a principal amount of HK\$64,000,000 with the rights to convert into 100,000,000 Shares at the initial conversion price of HK\$0.64 per convertible Share. The net proceeds of approximately HK\$63.7 million are intended to be reserved for the construction of a manufacturing base in Bangladesh (the “Expansion”).

Please refer to the announcements of the Company dated 1 August 2019 and 13 August 2019 for further information.

PROSPECTS

Looking forward to second half of 2019/20, the uncertainties surrounding the global economy are expected to linger on and consumer sentiments would become further softened. The Group's remains cautiously optimistic on the outlook of the textiles and garment industry. The Group will continue to leverage on its prominent market position, extensive client network and well-established production bases to respond to the ever-changing market.

As mentioned in the previous announcements of the Company, the Group has planned to construct a fabric manufacturing plant in Bangladesh with a view to lowering the average manufacturing costs and risk diversification. The Expansion will be invested with a business partner who has over 20 years' experience in garment manufacturing with scaled operations in Bangladesh. As the date of this report, the new joint venture has entered into agreement with relevant government authority for acquisition of land for the new production base. Construction of new production plant is expected to take place in or about February 2020. Fabric production is expected to commence in the second half of 2021. The expected monthly production capacity for fabric production will be approximately 2.5 million pounds. Preliminary assessment of the estimated capital expenditure for the Bangladesh plant is approximately HK\$1,000 million.



Given the recurring operating loss of the garment segment, the Group has made adjustments to its business strategy. The Group entered into an agreement with an independent party for the disposal of a garment production base in Cambodia in September 2019. The disposal was completed in October 2019. The Group will also critically review the garment customer portfolio and may make downward adjustments in the garment business to mitigate the loss incurred for the Group as a whole.

Notwithstanding the ever-changing global economic and market environment, the Group is adamant to dedicate all its effort to excel and capitalise on any strategic opportunities so as to bring the most satisfactory return to the Shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2019, the Group had total assets of approximately HK\$12,673 million (31 March 2019: HK\$13,261 million) which were financed by current liabilities of approximately HK\$3,560 million (31 March 2019: HK\$3,917 million), long term liabilities of approximately HK\$2,335 million (31 March 2019: HK\$2,540 million) and shareholders' equity of approximately HK\$6,754 million (31 March 2019: HK\$6,779 million). The current ratio was approximately 2.0 (31 March 2019: 2.0) 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 38.5% (31 March 2019: 39.5%). 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 operations 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 based on Hong Kong Interbank Offered Rate 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 Renminbi have always been a 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\$481 million (1H2018: HK\$367 million) on additions to property, plant and equipment.

As at 30 September 2019, the Group had capital commitments of approximately HK\$132 million (31 March 2019: HK\$161 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 2019, certain property, plant and equipment, right-of-use assets (31 March 2019: prepaid lease payments), investment properties and life insurance policies of the Group with net book value of approximately HK\$153 million (31 March 2019: HK\$446 million) were pledged to banks to secure credit facilities granted.

Employee Information

As at 30 September 2019, the total number of employees of the Group was approximately 1,150 in Cambodia, approximately 4,250 in the PRC and approximately 100 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 providing senior management with an appropriate incentive interest for the growth of the Group.

OTHER DISCLOSURES

INTERIM DIVIDEND

The Directors has resolved not to declare any interim dividend for the six months ended 30 September 2019.

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

As at 30 September 2019, 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 of Hong Kong Limited (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:

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	293,246,645 Shares (L) (Notes 2 & 4)	—	37.75% (Note 17)
	The Company	Beneficial owner	—	40,000 Shares (L) (Note 5)	0.005%
	VC Company (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%
	Victory City Overseas Limited ("VC Overseas") (Note 15)	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	293,246,645 Shares (L) (Notes 3 & 4)	—	37.75% (Note 17)
	The Company	Beneficial owner	549,000 Shares (L)	—	0.07%
	The Company	Beneficial owner	—	40,000 Shares (L) (Note 5)	0.005%

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
	VC Company (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%
	VC Overseas (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	—	39.4%
Lee Yuen Chiu Andy	The Company	Beneficial owner	—	500,000 Shares (L) (Note 5)	0.06%
Choi Lin Hung	The Company	Beneficial owner	2,100,000 Shares (L)	—	0.27%
	The Company	Beneficial owner	—	5,000,000 Shares (L) (Notes 5 and 6)	0.64%
	VC Overseas (Note 15)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	—	21.2%
	Sure Strategy Limited ("Sure Strategy") (Note 15)	Interest of controlled corporation	49 ordinary shares of US\$1.00 each (L) (Note 7)	—	49%
	FG Holdings (Note 15)	Interest of controlled corporation	100 ordinary shares of US\$1.00 each (L) (Note 8)	—	100%
	FGIL (Note 15)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 14)	—	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 9)	—	100%
	Rocwide Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	—	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
	Jiangmen V-Apparel Manufacturing Ltd. (Note 15)	Interest of controlled corporation	Registered capital of HK\$31,260,000 (L) (Note 10)	—	100%
	One Sino Limited (Note 15)	Interest of controlled corporation	100 ordinary shares of US\$1.00 each (L) (Note 14)	—	100%
	Ford Glory (Cambodia) Manufacturing Limited (Note 15)	Interest of controlled corporation	Registered capital of US\$1,000,000 (L) (Note 11)	—	100%
	Happy Noble Holdings Limited (Note 15)	Interest of controlled corporation	70 ordinary shares of US\$1.00 each (L) (Note 14)	—	70%
	Sky Winner Investment Limited (Note 15)	Interest of controlled corporation	100 ordinary shares of HK\$1.00 each (L) (Note 12)	—	100%
	Talent Partner Holdings Limited (Note 15)	Interest of controlled corporation	51 ordinary shares of US\$1.00 each (L) (Note 14)	—	51%
	Green Expert Global Limited (Note 15)	Interest of controlled corporation	1 ordinary share of US\$1.00 each (L) (Note 13)	—	100%
	Major Time Limited (Note 15)	Interest of controlled corporation	1 ordinary share of HK\$1.00 each (L) (Note 13)	—	100%
	Gojifashion Inc. (Note 16)	Interest of controlled corporation	100 common shares of no par value (L) (Note 14)	—	50%
	Just Perfect Holdings Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	—	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
	Value Plus (Macao Commercial Offshore) Limited (Note 15)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 14)	—	100%
Phaisalakani Vichai	The Company	Beneficial owner	1,000,000 Shares (L)	—	0.13%

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company or its associated corporations.
2. These Shares were held by Pearl Garden. Pearl Garden is wholly owned by Cornice Worldwide Limited, 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 include (i) 104,567,400 Shares held by Pearl Garden; (ii) 188,679,245 Shares to be issued upon full exercise of the conversion rights attached to the New Convertible Bonds issued to Pearl Garden on 28 June 2019 at an adjusted conversion price of HK\$1.06 per conversion Share.
3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui's family members. These Shares include (i) 104,567,400 Shares held by Madian Star; and (ii) 188,679,245 Shares to be issued upon full exercise of the conversion rights attached to the New Convertible Bonds issued to Madian Star on 28 June 2019 at an adjusted conversion price of HK\$1.06 per conversion Share.

OTHER DISCLOSURES

Notes: *(continued)*

4. On 28 June 2019, the Company issued the New Convertible Bonds to each of Pearl Garden and Madian Star with a principal sum of HK\$200,000,000 and HK\$200,000,000 respectively for a term of two years. Each of Pearl Garden and Madian Star has the right to convert its portion of the New Convertible Bonds for 188,679,245 Shares at an adjusted conversion price for HK\$1.06 per conversion Share upon full exercise of its conversion rights.
5. On 18 April 2019, Mr. Li Ming Hung, Mr. Chen Tien Tui, Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung was granted 400,000, 400,000, 5,000,000 and 34,225,047 options respectively under the Scheme to subscribe for 400,000, 400,000, 5,000,000 and 34,225,047 Shares respectively, exercisable at a price of HK\$0.1002 per Share during a period from 18 April 2019 to 17 April 2024. Upon completion of the Share Consolidation on 24 June 2019, the number of options owned by Mr. Li Ming Hung, Mr. Chen Tien Tui, Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung was adjusted to 40,000, 40,000, 500,000 and 3,422,505 options respectively under the Scheme to subscribe for 40,000, 40,000, 500,000 and 3,422,505 Shares respectively, exercisable at an adjusted price of HK\$1.002 per Share during a period from 18 April 2019 to 17 April 2024.
6. On 12 October 2016, Mr. Choi Lin Hung was granted 15,000,000 options under the Scheme to subscribe for 15,000,000 Shares, exercisable at a price of HK\$0.391 per Share during a period from 12 October 2016 to 11 October 2021. Upon completion of the rights issue on 6 January 2017 and 18 April 2019, and the Share Consolidation completed on 24 June 2019, the number of options owned by Mr. Choi Lin Hung was adjusted to 1,577,495 to subscribe for 1,577,495 Shares, exercisable at an adjusted price of HK\$3.72 per Share during a period from 12 October 2016 to 11 October 2021.
7. These shares were held by Merlotte Enterprise Limited ("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 Limited, a wholly-owned subsidiary of the Company.
8. These shares were held by Sure Strategy.
9. This registered capital was beneficially owned by FGIL which is a wholly-owned subsidiary of FG Holdings.
10. The registered capital was beneficially owned as to 40% by FG Holdings and as to 60% by Rocwide Limited.
11. This registered capital was held by One Sino Limited.
12. These shares were held by Happy Noble Holdings Limited.
13. This ordinary share was beneficially owned by Talent Partner Holdings Limited.
14. These shares or these common shares or this quota capital, as the case may be, was/were beneficially owned by FG Holdings.
15. These companies are subsidiaries of the Company.
16. 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.
17. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately held over 20% of the voting share capital of the Company, which complied with the condition of a syndicated loan borrowed by the Group.

Save as disclosed above in this report, as at 30 September 2019, 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 to be notified to the Company and the Stock Exchange.

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

As at 30 September 2019, 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	293,246,645 (L)	Beneficial owner (Note 2)	37.75%
Cornice Worldwide Limited	293,246,645 (L)	Interest of controlled corporation (Note 2)	37.75%
Madian Star	293,246,645 (L)	Beneficial owner (Note 3)	37.75%
Yonice Limited	293,246,645 (L)	Interest of controlled corporation (Note 3)	37.75%

OTHER DISCLOSURES

Name of person/entity	Number of Shares (Note 1)	Capacity	Approximate % of interest
Fiducia Suisse SA	586,493,290 (L)	Trustee (Notes 2 and 3)	75.50%
Mr. David Henry Christopher Hill	586,493,290 (L)	Interest of controlled corporation (Note 6)	75.50%
Ms. Rebecca Ann Hill	586,493,290 (L)	Interest of spouse (Note 7)	75.50%
Ms. Ho Yuen Mui Shirley	293,286,645 (L)	Interest of spouse (Note 4)	37.75%
Ms. Or Kwai Ying	293,835,645 (L)	Interest of spouse (Note 5)	37.82%
Mr. Wang Chia Po	100,000,000 (L)	Beneficial owner (Note 8)	12.87%
Ms. Or Min Min	100,000,000 (L)	Interest of Spouse (Note 9)	12.87%
Mr. Wang Guofeng	61,348,000 (L)	Founder of a trust and interests of spouse (Note 10)	7.90%
Ms. Pong Kwong Fai	61,348,000 (L)	Beneficial owner and interests of spouse (Note 10)	7.90%

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 Worldwide Limited, 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 Worldwide Limited. These Shares include (i) 104,567,400 Shares held by Pearl Garden; (ii) 188,679,245 Shares to be issued upon full exercise of the conversion rights attached to the New Convertible Bonds issued to Pearl Garden on 28 June 2019 at an adjusted conversion price of HK\$1.06 per conversion Share.
3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, 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 Limited. These Shares include (i) 104,567,400 Shares held by Madian Star; (ii) 188,679,245 Shares to be issued upon full exercise of the conversion rights attached to the New Convertible Bonds issued to Madian Star on 28 June 2019 at an adjusted conversion price of HK\$1.06 per conversion Share.
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.
8. On 13 August 2019, the Company issued convertible bonds to Mr. Wang Chia Po, with a principal amount of HK\$64,000,000 with the rights to convert into 100,000,000 Shares at the initial conversion price of HK\$0.64 per convertible Share.
9. Ms. Or Min Min is the spouse of Mr. Wang Chia Po.
10. These Shares include (i) 14,612,000 Shares owned by Access Wonders Holding Limited, a company owned by the trustee of a discretionary trust of which Mr. Wang Guofeng is a founder; (ii) 30,000,000 Shares owned by Forever Green Ltd, a company owned by the trustee of a discretionary trust of which Mr. Wang Guofeng is a founder; and (iii) 16,736,000 Shares owned by Ms. Pong Kwong Fai, the spouse of Mr. Wang Guofeng.

Save as disclosed above, so far as is known to the Directors, as at 30 September 2019, 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.

OTHER DISCLOSURES

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 Scheme was adopted.

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\$	Adjusted exercise price per Share due to the rights issue completed on 6 January 2017, the Rights Issue and/or the Share Consolidation HK\$	Exercisable period	Number of share options					Adjustments due to Rights Issue and/or the Share Consolidation	Outstanding at 30 September 2019
					Outstanding at 1 April 2019	Granted	Exercised	Cancelled	Lapsed		
Directors (Note 1)	12/10/2016	0.391	3.72	12/10/2016 to 11/10/2021	15,721,500	–	–	–	–	(14,144,005)	1,577,495
	18/04/2019 (Note 3)	0.1002	1.002	18/04/2019 to 17/04/2024	–	40,025,047	–	–	–	(36,022,542)	4,002,505
Other employees (Note 2)	12/10/2016	0.391	3.72	12/10/2016 to 11/10/2021	238,966,800	–	–	–	–	(214,988,872)	23,977,928
	18/04/2019 (Note 3)	0.1002	1.002	18/04/2019 to 17/04/2024	–	344,470,713	–	–	–	(310,023,642)	34,447,071
Others	12/10/2016	0.391	3.72	12/10/2016 to 11/10/2021	28,298,700	–	–	–	–	(25,459,208)	2,839,492
	18/04/2019 (Note 3)	0.1002	1.002	18/04/2019 to 17/04/2024	–	20,605,084	–	–	–	(18,544,576)	2,060,508
					282,987,000	405,100,844	–	–	–	(619,182,845)	68,904,999

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).
- The closing price of the Company's shares on 17 April 2019 (the trading day immediately before the date on which the options were granted) was HK\$0.10 per share of HK\$0.01 each (before the Share Consolidation).

ISSUE FOR CASH OF EQUITY SECURITIES

During the reporting period, the Company has conducted the following fundraising activities:

Date of announcement/ circular/prospectus	Event	Net proceeds and net price (approximate)	Closing price on the date of signing of the agreement	Intended use of proceeds as announced	Actual use of proceeds
19 February 2019, 13 March 2019, 26 March 2019 and 17 April 2019	Rights Issue	HK\$249.3 million and HK\$0.096 per share of HK\$0.01 each (before the Share Consolidation)	HK\$0.115 (before the Share Consolidation)	(i) Approximately HK\$100 million for construction of new electron beam wastewater treatment facilities; (ii) approximately HK\$70 million for construction of a new boiler; and (iii) approximately HK\$79.3 million as general working capital	(i) Approximately HK\$80 million had been used for construction of new electron beam wastewater treatment facilities; (ii) approximately HK\$70 million had been used for construction of a new boiler; and (iii) approximately HK\$79.3 million had been used as general working capital
26 April 2019, 5 June 2019 and 28 June 2019	Issue of convertible bonds	HK\$400 million and HK\$0.106 per conversion share of HK\$0.01 each (before the Share Consolidation)	HK\$0.096 (before the Share Consolidation)	All net proceeds for the redemption of convertible bonds in the principal amount of HK\$400 million issued by the Company on 22 September 2017	All net proceeds have been used for the redemption of convertible bonds in the principal amount of HK\$400 million issued by the Company on 22 September 2017
1 August 2019 and 13 August 2019	Issue of convertible bonds	HK\$63.7 million and HK\$0.637 per conversion Share (after the Share Consolidation)	HK\$0.49 (after the Share Consolidation)	All net proceeds reserved for the Expansion	All net proceeds will be used for the Expansion

OTHER DISCLOSURES

EVENTS AFTER THE REPORTING PERIOD

On 23 October 2019, the Company issued convertible bonds to Mr. Wong Shu Fat, an independent third party, with a principal amount of HK\$65,000,000 with the rights to convert into 100,000,000 Shares at the initial conversion price of HK\$0.65 per convertible Share. The net proceeds of approximately HK\$64.7 million are intended to be reserved for the Expansion. Please refer to the announcements of the Company dated 14 October 2019 and 23 October 2019 for further details.

Save for above, there were no other significant events affecting the Group after the period ended 30 September 2019.

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

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save as disclosed in note 17 to the Group's financial statements, the Group had no significant investments, acquisitions and disposals for the reporting period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company plans to construct a fabric manufacturing plant in Bangladesh with a business partner who has over 20 years' experience in garment manufacturing with scaled operations in Bangladesh. The Company plans to fund the Expansion with the proceeds from the placing completed in 18 January 2018, the issue of convertible bonds by the Company on 13 August 2019 and 23 October 2019, and internal resources. Depending on the actual funding needs of the Expansion and the then working capital of the Group, the Company may obtain additional funding through debt or equity fund-raising activities (including but not limited to new issue of shares by way of placing or subscription, or rights issue) for the Expansion. For further details, please refer to the announcements of the Company dated 28 December 2017, 1 August 2019 and 14 October 2019.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

By an agreement dated 12 December 2017 (the "Facility Agreement") entered into by, among others, VC Company as the borrower, the Company and certain of its subsidiaries (as guarantors), and a syndicate of banks, the banks have agreed to grant a loan facility (the "Facility") divided into 2 tranches of up to the principal sums of HK\$2,226,000,000 and US\$48,000,000 (equivalent to approximately HK\$374,400,000) respectively (with an accordion feature of up to HK\$500,000,000). The Facility is for a term of 48 months commencing from the date of the Facility Agreement and is guaranteed by the Company and certain of its subsidiaries.

The Facility Agreement contains requirements that (a) Mr. Li Ming Hung and Mr. Chen Tien Tui must own (whether by themselves or through trust arrangements) not less than 20% of the issued share capital of the Company (which shall be free from encumbrance) in aggregate; (b) Mr. Li Ming Hung and Mr. Chen Tien Tui, treated as if they are one shareholder, must collectively remain (whether by themselves or through trust arrangements) the single largest shareholder of the Company; (c) Mr. Li Ming Hung must be the Chairman of the Company; (d) Mr. Chen Tien Tui must be the Chief Executive Officer of the Company; and (e) Mr. Li Ming Hung and Mr. Chen Tien Tui must be executive Directors. A breach of any of such requirements will constitute an event of default under the Facility Agreement, and as a result, the Facility is liable to be declared immediately due and payable. The occurrence of such circumstance may trigger the cross default provisions of other banking/credit facilities available to the Group and, as a possible consequence, these other facilities may also be declared to be immediately due and payable.

Save as disclosed above, as at 30 September 2019, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had complied throughout the six months ended 30 September 2019 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. Upon receiving specific enquiries from the Company, 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 2019.

AUDIT COMMITTEE

The board of Directors has established an audit committee (the “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, risk management and the Group’s financial statements.

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

OTHER DISCLOSURES

The Committee has reviewed the unaudited financial statements of the Group for the six months ended 30 September 2019 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 2019 annual report
Phaisalakani Vichai	Mr. Phaisalakani resigned from his position as an independent non-executive director of Eagle Ride Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange on 1 October 2019.

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

Li Ming Hung
Chairman

Hong Kong, 28 November 2019



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司

www.victorycity.com.hk