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## **VICTORY CITY INTERNATIONAL HOLDINGS LIMITED**

**冠華國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 539)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

#### **RESULTS**

The directors (the “Directors”) of Victory City International Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2016. The interim results of the Group have been reviewed by the Company’s auditor in accordance with the 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 (the “HKICPA”). The interim results of the Group have also been reviewed by the Company’s audit committee.

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	<b>2,534,643</b>	2,696,797
Cost of sales		<b>(2,100,209)</b>	(2,192,031)
Gross profit		<b>434,434</b>	504,766
Other income		<b>35,946</b>	44,696
Other gains and losses	4	<b>(71,136)</b>	(64,213)
Distribution and selling expenses		<b>(65,729)</b>	(73,461)
General and administrative expenses		<b>(182,067)</b>	(181,617)
Finance costs		<b>(70,380)</b>	(61,070)
Gain on disposal of subsidiaries	5	<b>19,850</b>	—
Profit before taxation		<b>100,918</b>	169,101
Income tax expense	6	<b>(16,178)</b>	(22,166)
Profit for the period	7	<b>84,740</b>	146,935

	Note	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Other comprehensive income (expense):			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Fair value change of an available-for-sale investment		106	(57)
Exchange differences arising on translation of foreign operations		(197,073)	(203,877)
Reclassification of translation reserve upon disposal of subsidiaries		9	—
		<u>(196,958)</u>	<u>(203,934)</u>
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		—	6,320
Other comprehensive expense for the period		<u>(196,958)</u>	<u>(197,614)</u>
Total comprehensive expense for the period		<u><u>(112,218)</u></u>	<u><u>(50,679)</u></u>
Profit (loss) for the period attributable to:			
Owners of the Company		86,629	142,069
Non-controlling interests		<u>(1,889)</u>	<u>4,866</u>
		<u><u>84,740</u></u>	<u><u>146,935</u></u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(109,132)	(57,413)
Non-controlling interests		<u>(3,086)</u>	<u>6,734</u>
		<u><u>(112,218)</u></u>	<u><u>(50,679)</u></u>
Earnings per share	9		
Basic		<u><u>HK3.3 cents</u></u>	<u><u>HK7.6 cents</u></u>
Diluted		<u><u>HK3.3 cents</u></u>	<u><u>HK7.4 cents</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2016**

		<b>30 September 2016</b>	<b>31 March 2016</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>3,559,500</b>	3,530,629
Prepaid lease payments	10	<b>190,375</b>	193,322
Investment properties	10	<b>158,441</b>	164,657
Goodwill		<b>6,185</b>	6,614
Restricted bank deposit		<b>60,473</b>	60,324
Deferred tax assets		<b>2,324</b>	2,433
Deposit paid for acquisition of property, plant and equipment		<b>2,024</b>	30,894
Other assets		<b>26,040</b>	26,040
		<b>4,005,362</b>	4,014,913
<b>Current assets</b>			
Inventories		<b>2,692,488</b>	2,767,820
Trade and bills receivables	11	<b>1,727,841</b>	1,720,070
Deposits, prepayments and other receivables		<b>248,563</b>	178,197
Prepaid lease payments	10	<b>4,822</b>	4,815
Available-for-sale investment		<b>1,800</b>	1,694
Taxation recoverable		<b>2,587</b>	526
Bank balances and cash		<b>2,501,592</b>	2,111,088
		<b>7,179,693</b>	6,784,210
<b>Current liabilities</b>			
Trade and bills payables	12	<b>389,059</b>	397,117
Other payables and accruals		<b>102,704</b>	134,597
Dividend payable		<b>27,913</b>	197
Taxation payable		<b>75,514</b>	72,794
Derivative financial instruments		<b>161,965</b>	126,782
Bank borrowings — amount due within one year		<b>2,084,261</b>	1,849,123
		<b>2,841,416</b>	2,580,610
<b>Net current assets</b>		<b>4,338,277</b>	4,203,600
<b>Total assets less current liabilities</b>		<b>8,343,639</b>	8,218,513

	30 September 2016 <i>HK\$'000</i> (unaudited)	31 March 2016 <i>HK\$'000</i> (audited)
<b>Capital and reserves</b>		
Share capital	27,722	22,722
Reserves	<u>5,553,388</u>	<u>5,437,842</u>
Equity attributable to owners of the Company	5,581,110	5,460,564
Non-controlling interests	<u>75,872</u>	<u>154,034</u>
<b>Total equity</b>	<u>5,656,982</u>	<u>5,614,598</u>
<b>Non-current liabilities</b>		
Bank borrowings — amount due after one year	2,599,200	2,516,491
Deferred tax liabilities	<u>87,457</u>	<u>87,424</u>
	<u>2,686,657</u>	<u>2,603,915</u>
	<u><b>8,343,639</b></u>	<u><b>8,218,513</b></u>

## **1. BASIS OF PREPARATION**

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

## **2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

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

## **3. SEGMENT INFORMATION**

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.

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 and provision of related subcontracting services
- (ii) Garment products — Production and sale of garment products and provision of quality inspection services

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

**Six months ended 30 September 2016**

	<b>Knitted fabric and dyed yarn HK\$'000</b>	<b>Garment products HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>REVENUE</b>				
External sales	2,127,390	407,253	—	2,534,643
Inter-segment sales	20,209	—	(20,209)	—
Segment revenue	<u>2,147,599</u>	<u>407,253</u>	<u>(20,209)</u>	<u>2,534,643</u>
<b>RESULTS</b>				
Segment operating results	182,013	9,000		191,013
Gain on disposal of subsidiaries	—	19,850		19,850
Segment results	<u>182,013</u>	<u>28,850</u>		210,863
Unallocated corporate income and gain				36,196
Unallocated corporate expenses and loss				(75,761)
Finance costs				(70,380)
Profit before taxation				<u>100,918</u>

**Six months ended 30 September 2015**

	<b>Knitted fabric and dyed yarn HK\$'000</b>	<b>Garment products HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>REVENUE</b>				
External sales	2,208,925	487,872	—	2,696,797
Inter-segment sales	24,549	—	(24,549)	—
Segment revenue	<u>2,233,474</u>	<u>487,872</u>	<u>(24,549)</u>	<u>2,696,797</u>
<b>RESULTS</b>				
Segment results	<u>224,079</u>	<u>32,197</u>		256,276
Unallocated corporate income and gain				37,594
Unallocated corporate expenses and loss				(63,699)
Finance costs				(61,070)
Profit before taxation				<u>169,101</u>

Segment results represent the profit earned by each segment without allocation of interest income, rental income, net loss on fair value change of derivative financial instruments, gain on fair value change of restricted bank deposit, net gain on disposal of property, plant and equipment, gain on fair value change of investment properties, 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.

#### 4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Net loss on fair value change of derivative financial instruments	(67,559)	(56,611)
Net foreign exchange loss	(4,373)	(9,242)
Net gain on disposal of property, plant and equipment	647	176
Gain on fair value change of restricted bank deposit	149	764
Gain on fair value change of investment properties	—	700
	<u>(71,136)</u>	<u>(64,213)</u>

#### 5. DISPOSAL OF SUBSIDIARIES

On 13 July 2016, Victory City Investments Limited (“VC Investments”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the “Purchaser”), pursuant to which the Purchaser conditionally agreed to purchase and VC Investments conditionally agreed to sell its entire 51% equity interest in RS International Holdings Limited and its subsidiaries (collectively referred to as the “RS Group”) at a cash consideration of HK\$98,000,000. The RS Group is principally engaged in the manufacturing of garment products in Jordan. The disposal completed on 1 August 2016 and the RS Group ceased to be subsidiaries of the Group. Disposal-related costs amounting to HK\$162,000 were excluded from the consideration received and recognised as an expense in the condensed consolidated statement of profit or loss.

Further details of the consideration and assets and liabilities disposed of in respect of the RS Group at the date of the disposal were as follows:

	HK\$'000
<b>Consideration:</b>	
Cash received	<u>98,000</u>
<b>Analysis of assets and liabilities over which control was lost:</b>	
Property, plant and equipment	27,910
Goodwill	429
Inventories	78,095
Trade receivables	68,347
Deposits, prepayments and other receivables	14,402
Bank balances and cash	23,457
Trade payables	(818)
Other payables and accrual	<u>(58,605)</u>
Net assets disposed of	<u>153,217</u>
<b>Gain on disposal:</b>	
Consideration	98,000
Net assets disposed of	(153,217)
Non-controlling interests	75,076
Cumulative exchange difference in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	<u>(9)</u>
	<u>19,850</u>

**Net cash inflow arising on disposal:**

Cash consideration received	98,000
Less: Bank balances and cash disposed of	(23,457)
	<u>74,543</u>

**6. INCOME TAX EXPENSE**

	<b>Six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax:		
Hong Kong Profits Tax	614	5,089
Enterprise Income Tax ("EIT") in the People's Republic of China (the "PRC")	13,350	14,602
Overseas income tax	—	27
	<u>13,964</u>	<u>19,718</u>
Deferred tax for the current period	<u>2,214</u>	<u>2,448</u>
	<u>16,178</u>	<u>22,166</u>

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

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

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

**7. PROFIT FOR THE PERIOD**

	<b>Six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	149,555	129,268
Release of prepaid lease payments	2,398	2,070
Interest income	(21,720)	(29,159)
Rental income from investment properties and property, plant and equipment	<u>(12,978)</u>	<u>(6,795)</u>

**8. DISTRIBUTION**

On 17 August 2016, the Company approved a final dividend of HK1.0 cent per share in respect of the financial year ended 31 March 2016 (2015: a final dividend of HK3.0 cents per share and a special dividend of HK4.0 cents per share in respect of the financial year ended 31 March 2015). The amount of final dividend and special dividend approved was in cash with a scrip option.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: HK4.0 cents per share).



## 9. 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	
	2016	2015
	HK\$'000	HK\$'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>86,629</u>	<u>142,069</u>
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,646,546	1,870,025
Effect of dilutive potential ordinary shares:		
Share options of the Company	<u>—</u>	<u>40,856</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,646,546</u>	<u>1,910,881</u>

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

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

During the current interim period, the Group had additions to property, plant and equipment of approximately HK\$285 million (six months ended 30 September 2015: HK\$208 million).

During the six months ended 30 September 2016, an investment property with a carrying amount of HK\$3,647,000 was transferred to property, plant and equipment and prepaid lease payments as the management had changed the use of property to owner occupation purpose. The property was fair-valued by Roma Appraisals Limited ("Roma"), an independent firm of valuers not connected with Group, at the date of transfer using the depreciated replacement costs basis.

During the six months ended 30 September 2015, property, plant and equipment and prepaid lease payments with carrying amounts of HK\$101,681,000 and HK\$603,000, respectively, were transferred to investment properties as the management had changed the use of the properties, evidenced by entering into various operating leases with tenants. The properties were fair-valued by Roma at the date of transfer using the depreciated replacement costs approach, or by reference to recent market prices and market rental for similar properties in similar locations and conditions, where appropriate.

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

## 11. TRADE AND BILLS RECEIVABLES

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

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

	<b>30 September 2016 HK\$'000</b>	<b>31 March 2016 HK\$'000</b>
0–60 days	<b>1,110,133</b>	1,104,123
61–90 days	<b>372,900</b>	380,297
91–120 days	<b>175,268</b>	160,765
Over 120 days	<b>69,540</b>	74,885
	<b><u>1,727,841</u></b>	<b><u>1,720,070</u></b>

## 12. 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:

	<b>30 September 2016 HK\$'000</b>	<b>31 March 2016 HK\$'000</b>
0–60 days	<b>255,341</b>	259,220
61–90 days	<b>95,424</b>	89,400
Over 90 days	<b>38,294</b>	48,497
	<b><u>389,059</u></b>	<b><u>397,117</u></b>

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

## **INTERIM DIVIDEND**

The board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2016 (1H2015: HK4.0 cents per share).

## **BUSINESS REVIEW**

During the period under review, the global economic conditions remained unstable and challenges continued to cloud the worldwide consumer markets. Orders from the United States (“US”), the Group’s major market, were weakened when compared with previous year. The Group’s performance for the first half of the financial year was inevitably affected by these unfavourable market conditions.

For the six months ended 30 September 2016, the Group’s unaudited consolidated revenue was approximately HK\$2,535 million, representing a decrease of approximately 6.0% as compared with that of the previous corresponding period (1H2015: HK\$2,697 million). Gross profit decreased by approximately 13.9% to approximately HK\$434.4 million from approximately HK\$504.8 million, while gross profit margin decreased to 17.1% from 18.7%. Profit attributable to owners of the Company for the reporting period amounted to approximately HK\$86.6 million, which included net loss on fair value change of derivative financial instruments of approximately HK\$67.6 million, gain on fair value change of restricted bank deposit of approximately HK\$0.1 million and gain on disposal of subsidiaries of approximately HK\$19.9 million. Hence, profit from core operations for the six months ended 30 September 2016 was approximately HK\$127.7 million after adjusting the above-mentioned non-operating gains and losses, representing a year-on-year decrease of approximately 31.5% (1H2015: approximately HK\$186.4 million). Basic earnings per share was HK3.3 cents (1H2015: HK7.6 cents).

### **Textile Business**

For the six months ended 30 September 2016, production and sale of knitted fabric and dyed yarn remained the major business segment of the Group, accounting for approximately 83.9% of the Group’s consolidated revenue.

During the reporting period, the utilisation of the textile production plants in the PRC was lowered as a result of the weakened US market. Cotton price has started to rebound since June 2016 but the impact was not yet reflected in the average selling price. Besides, the Group had incurred additional research and development expenses in enhancing the production of synthetic fabric. As a result of the above, both revenue and operating profits for the textile business were negatively affected.

### **Garment Business**

The Group’s garment business accounted for approximately 16.1% of the Group’s consolidated revenue for the six months ended 30 September 2016. Revenue of the garment business in the six months was approximately HK\$407.3 million, with a decrease of approximately 16.5% from approximately HK\$487.9 million in the same period last year. The decrease was mainly attributable to the disposal (the “Disposal”) of the Group’s interest in RS International Holdings Limited (“RS Holdings”) and its subsidiaries, which operate a garment factory in Jordan (the “Jordan Factory”), in August 2016 and had a turnover of approximately HK\$267.7 million in the six months ended 30 September 2015 while turnover for the four months ended 31 July 2016 was only approximately HK\$184.2 million. The Group entered into a conditional sale and purchase agreement for the disposal of 51.0% of interest in RS Holdings on 13 July 2016 and the Disposal completed on 1 August 2016.

The Group received net proceeds of approximately HK\$97.8 million and recorded a net gain of approximately HK\$19.9 million from the Disposal after legal and transaction costs. Please refer to the announcement of the Company dated 13 July 2016 for details.

Gross profit decreased by approximately 24.9% to approximately HK\$80.2 million from approximately HK\$106.8 million in the same period last year, with gross profit margin of approximately 19.7%, down from approximately 21.9%. The decrease was mainly due to the lower contribution from the Jordan Factory in the period and the ongoing adjustments of the Group's in-house manufacturing and outsourcing capabilities after the Disposal.

### **Major Movement**

*Completion of placing of a total of 500,000,000 shares with net proceeds of approximately HK\$257 million*

On 17 May 2016, the Group completed a share placing of 500,000,000 shares at placing price of HK\$0.52 per share. The total net proceeds amounted to approximately HK\$257 million. The successful transaction reflected the market's confidence in the Group's business fundamentals and goals, and the net proceeds will provide additional funding for the Group's existing fabric manufacturing business as well as the intended establishment of new production facilities in Vietnam.

### **PROSPECTS**

Looking forward to the second half of 2016/17, the global economy and the consumer market are expected to remain uncertain. The Group remains cautiously optimistic on the coming outlook of the textile and garment industry. The Group will continue to leverage on its prominent market position, extensive client network and well-established regional production bases to respond to the ever-changing market.

The Group continues to expand its synthetic fabric production in order to capture the growing demand from the global market and its existing customers. The Group intends to further such expansion by pursuing appropriate acquisition opportunities in Taiwan and/or the PRC through acquiring technology or production plant to supplement its existing production.

Although the Trans-Pacific Strategic Economic Partnership Agreement may not be implemented after election of the new US president, the Group will closely monitor the ongoing development and the market situation when assessing the feasibility of establishing new production facilities in Vietnam.

The Group is currently operating three garment manufacturing bases in the PRC, Cambodia and Indonesia. The Group has devoted the PRC manufacturing base to selective high margin orders, research and development and sample production. The manufacturing bases in Cambodia and Indonesia, with lower labour costs and import duty free privileges of the European Union, Canada, Japan, the PRC, etc., underpin the competitiveness and future growth of the Group's garment business.

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

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 30 September 2016, the Group had total assets of approximately HK\$11,185 million (31 March 2016: HK\$10,799 million) which were financed by current liabilities of approximately HK\$2,841 million (31 March 2016: HK\$2,581 million), long term liabilities of approximately HK\$2,687 million (31 March 2016: HK\$2,604 million) and shareholders' equity of approximately HK\$5,581 million (31 March 2016: HK\$5,461 million). The current ratio was approximately 2.5 (31 March 2016: 2.6) 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 38.0% (31 March 2016: 40.2%). All of the Group's borrowings were at floating rate basis.

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

### **Foreign Exchange and Interest Rate Risks**

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

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Renminbi and US dollars. The fluctuations in the US dollars and Renminbi have always been 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\$285 million on additions to property, plant and equipment.

As at 30 September 2016, the Group had capital commitments of approximately HK\$10 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 2016, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK\$348 million (31 March 2016: HK\$393 million) were pledged to banks to secure credit facilities granted.

### **Employee Information**

As at 30 September 2016, the total number of employees of the Group was approximately 1,400 in Cambodia, approximately 1,170 in Indonesia, approximately 5,080 in the PRC and approximately 120 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.

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

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

#### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company had complied throughout the six months ended 30 September 2016 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. The Company has made specific enquiries with all Directors and 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 2016.

By Order of the Board of Directors  
**Victory City International Holdings Limited**  
**Li Ming Hung**  
*Chairman*

Hong Kong, 29 November 2016

*As at the date of this announcement, the executive Directors are Mr. Li Ming Hung (Chairman), Mr. Chen Tien Tui (Chief Executive Officer), Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung and the independent non-executive Directors are Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi.*

\* *for identification purposes only*