

2018/19

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  
Fubon Bank (Hong Kong) Limited  
Cathay United Bank Company, Limited  
CTBC Bank Co., Ltd.  
Chong Hing Bank Limited  
Rabobank International

## PRINCIPAL SHARE REGISTRAR

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

## BRANCH SHARE REGISTRAR IN HONG KONG

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

## REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## COMPANY WEBSITE

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

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

For the six months ended 30 September 2018

	Note	Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	<b>2,724,508</b>	2,547,467
Cost of sales		<b>(2,237,270)</b>	(2,122,701)
Gross profit		<b>487,238</b>	424,766
Other income		<b>32,460</b>	39,096
Other gains and losses	4	<b>(242)</b>	55,915
Distribution and selling expenses		<b>(68,516)</b>	(64,777)
General and administrative expenses		<b>(196,319)</b>	(178,655)
Finance costs		<b>(105,932)</b>	(68,535)
Profit before taxation		<b>148,689</b>	207,810
Income tax expense	5	<b>(19,895)</b>	(16,996)
Profit for the period	6	<b>128,794</b>	190,814
Other comprehensive (expense) income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(791,731)</b>	332,440
Fair value change of an available-for-sale investment		—	191
Fair value change of a financial asset at fair value through other comprehensive income		<b>1,858</b>	—
Other comprehensive (expense) income for the period		<b>(789,873)</b>	332,631
Total comprehensive (expense) income for the period		<b>(661,079)</b>	523,445

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

For the six months ended 30 September 2018

	Note	Six months ended 30 September 2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		<b>136,999</b>	192,806
Non-controlling interests		<b>(8,205)</b>	(1,992)
		<b>128,794</b>	190,814
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		<b>(645,925)</b>	524,059
Non-controlling interests		<b>(15,154)</b>	(614)
		<b>(661,079)</b>	523,445
Earnings per share	8		
Basic		<b>HK2.7 cents</b>	HK4.6 cents
Diluted		<b>HK2.4 cents</b>	HK4.5 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Note	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	4,434,125	4,648,783
Prepaid lease payments		180,481	189,101
Investment properties	9	176,318	183,350
Goodwill	10	—	6,185
Available-for-sale investments	11	—	19,835
Financial assets at fair value through profit or loss	12	123,244	—
Deferred tax assets	13	4,164	4,152
Deposit paid for acquisition of property, plant and equipment		1,462	13,158
Other non-current asset	14	—	114,775
		<b>4,919,794</b>	5,179,339
<b>Current assets</b>			
Inventories		2,965,243	3,161,289
Trade and bills receivables	15	1,899,191	1,934,616
Deposits, prepayments and other receivables		189,265	192,047
Prepaid lease payments		5,086	4,894
Derivative financial instruments	17	3	2,155
Taxation recoverable		311	9,416
Restricted bank deposit	18	—	60,645
Bank balances and cash		2,609,600	2,800,895
		<b>7,668,699</b>	8,165,957
Asset classified as held for sale	19	17,767	—
		<b>7,686,466</b>	8,165,957

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Note	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
<b>Current liabilities</b>			
Trade and bills payables	20	492,315	483,676
Other payables and accruals		120,570	158,000
Contract liabilities		7,833	—
Dividend payable		50,506	191
Taxation payable		86,229	78,303
Derivative financial instruments	17	893	1,599
Bank borrowings — amount due within one year	21	2,273,910	2,304,847
Convertible bonds	22	379,394	369,804
		<b>3,411,650</b>	3,396,420
<b>Net current assets</b>		<b>4,274,816</b>	4,769,537
<b>Total assets less current liabilities</b>		<b>9,194,610</b>	9,948,876
<b>Capital and reserves</b>			
Share capital	23	50,317	50,317
Reserves		6,193,153	6,884,330
Equity attributable to owners of the Company		<b>6,243,470</b>	6,934,647
Non-controlling interests		<b>24,135</b>	39,289
<b>Total equity</b>		<b>6,267,605</b>	6,973,936
<b>Non-current liabilities</b>			
Bank borrowings — amount due after one year	21	2,828,197	2,872,458
Deferred tax liabilities	13	98,808	102,482
		<b>2,927,005</b>	2,974,940
		<b>9,194,610</b>	9,948,876

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	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 2017 (audited)	41,937	2,845,422	1,961	–	39	76,229	(166,453)	45,738	934	13,293	2,841,009	5,700,109	57,154	5,757,263
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	–	192,806	192,806	(1,992)	190,814
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	331,062	–	–	–	–	331,062	1,378	332,440
Fair value change of an available-for-sale investment	–	–	–	–	–	–	–	–	191	–	–	191	–	191
Total comprehensive income (expense) for the period	–	–	–	–	–	–	331,062	–	191	–	192,806	524,059	(614)	523,445
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(10,780)	(10,780)
Lapse of share options	–	–	–	–	–	–	–	(24,492)	–	–	24,492	–	–	–
Recognition of equity component of convertible bonds	–	–	–	37,315	–	–	–	–	–	–	–	37,315	–	37,315
Transaction costs attributable to issue of convertible bonds	–	–	–	(230)	–	–	–	–	–	–	–	(230)	–	(230)
At 30 September 2017 (unaudited)	41,937	2,845,422	1,961	37,085	39	76,229	164,609	21,246	1,125	13,293	3,058,307	6,261,253	45,760	6,307,013
At 1 April 2018 (audited)	50,317	2,994,570	1,961	37,085	39	76,229	528,101	21,246	1,255	28,212	3,195,632	6,934,647	39,289	6,973,936
Adjustments (Note 2)	–	–	–	–	–	–	–	–	(1,255)	–	6,320	5,065	–	5,065
At 1 April 2018 (restated and 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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Note	Six months ended 30 September 2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Net cash from operating activities</b>		<b>346,858</b>	106,905
<b>Net cash used in investing activities:</b>			
Purchase of property, plant and equipment		(354,519)	(300,715)
Deposit paid for acquisition of property, plant and equipment		(1,462)	(2,578)
Withdrawal of restricted bank deposit		58,165	—
Other investing cash flows		687	682
		<b>(297,129)</b>	(302,611)
<b>Net cash (used in) from financing activities:</b>			
Repayment of bank loans	21	(346,463)	(514,168)
Net amount of bank borrowings from debt factored with recourse (repaid) raised		(10,774)	57,082
Net amount of import loans, trust receipts loan and term loan raised		71,480	128,699
New bank loans raised	21	223,857	303,781
Proceeds from issue of convertible bonds	22	—	400,000
Dividends paid to non-controlling interests		—	(10,780)
Transaction costs of issuing convertible bonds		—	(2,463)
		<b>(61,900)</b>	362,151
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(12,171)</b>	166,445
<b>Cash and cash equivalents at beginning of the period</b>		<b>2,800,895</b>	2,725,090
<b>Effect of foreign exchange rate changes</b>		<b>(179,124)</b>	66,932
<b>Cash and cash equivalents at end of the period,</b> represented by bank balances and cash		<b>2,609,600</b>	2,958,467

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the 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 certain properties and financial instruments, which are measured at fair values.

Other than 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 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

### 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 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major sources:

- Sale of knitted fabric and dyed yarn; and
- Sale of garment products.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

##### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

#### **2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers”** *(continued)*

##### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)*

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” *(continued)*

##### 2.1.2 Summary of effects arising from initial application of HKFRS 15

The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from sales of knitted fabric, dyed yarn and garment products is generally 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.

A contract liability is recognised by the Group when deposit is received in advance from the customers at the time of acceptance of a contract with the customer, which represented the Group's obligation to transfer goods to the customers.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, 1 April 2018. In addition, in accordance with the transition provision in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK\$'000
Current liabilities			
Other payables and accruals	158,000	(9,801)	148,199
Contract liabilities (Note)	—	9,801	9,801

Note: At the date of initial application of HKFRS 15, deposits received in advance from customers of HK\$9,801,000 were reclassified as contract liabilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” *(continued)*

##### 2.1.2 Summary of effects arising from initial application of HKFRS 15 *(continued)*

The following table summarises the impacts of applying HKFRS 15 on the Group’s condensed consolidated statement of financial position as at 30 September 2018. Line items that were not affected by the changes have not been included.

	As reported HK\$’000	Adjustments HK\$’000	Amounts without application of HKFRS 15 HK\$’000
Current liabilities			
Other payables and accruals	120,570	7,833	128,403
Contract liabilities (Note)	7,833	(7,833)	—

Note: As at 30 September 2018, deposits received in advance from customers of HK\$7,833,000 were classified as contract liabilities.

#### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

#### **2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments** *(continued)*

##### *2.2.1 Key changes in accounting policies resulting from application of HKFRS 9*

###### *Classification and measurement of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

### **2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments** *(continued)*

#### *2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)*

##### *Classification and measurement of financial assets (continued)*

###### *Equity instruments designated as at FVTOCI*

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.

###### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

The directors of the Company (the “Directors”) reviewed and assessed the Group’s financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in Note 2.2.2.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

#### **2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments** *(continued)*

##### *2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)*

###### **Impairment under ECL model**

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivables, other receivables, restricted bank deposit and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

###### *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

**2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments** *(continued)*

*2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)*

*Impairment under ECL model (continued)*

*Significant increase in credit risk (continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

#### **2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments** *(continued)*

##### *2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)*

###### *Impairment under ECL model (continued)*

###### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 April 2018, the Directors reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No additional impairment allowance was recognised at 1 April 2018 as the amount is considered not material. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

#### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments *(continued)*

##### 2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Note	Available- for-sale investments HK\$'000	Other non-current asset HK\$'000	Equity instruments at FVTOCI HK\$'000	Financial assets at FVTPL HK\$'000	Investments revaluation reserve HK\$'000	Accumulated profits HK\$'000
Closing balance at 31 March 2018 – HKAS 39		19,835	114,775	–	–	(1,255)	(3,195,632)
Effect arising from initial application of HKFRS 9:							
<i>Reclassification</i>							
From available-for-sale investments	(a)	(19,835)	–	17,500	2,335	1,255	(1,255)
From other non-current assets	(b)	–	(114,775)	–	114,775	–	–
<i>Remeasurement</i>							
Remeasurement at fair value	(b)	–	–	–	5,065	–	(5,065)
Opening balance at 1 April 2018		–	–	17,500	122,175	–	(3,201,952)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

#### **2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments** *(continued)*

##### *2.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)*

###### (a) Available-for-sale investments

###### *From AFS equity investments to FVTOCI*

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. At the date of initial application of HKFRS 9, an amount of HK\$17,500,000 was reclassified from available-for-sale investments to equity instruments at FVTOCI, which is related to unquoted equity investments previously measured at cost less impairment under HKAS 39. As at 1 April 2018, there is no fair value change relating to those unquoted equity investments.

###### *From AFS investments to FVTPL*

Investment in unlisted trust funds with a fair value of HK\$2,335,000 was reclassified from available-for-sale investments to financial assets at FVTPL. The accumulated fair value change of HK\$1,255,000 relating to this investment previously recognised as other comprehensive income and accumulated in the investments revaluation reserve was transferred to accumulated profits as at 1 April 2018.

###### (b) From other non-current assets to financial assets at FVTPL

Other non-current asset of HK\$114,775,000 representing life insurance policies are reclassified to financial assets at FVTPL. This is because even though the Group’s business model is to hold financial asset in order to collect contractual cash flows, the cash flows of this investment is not solely payments of principal and interest on the principal amount outstanding. Fair value gain of HK\$5,065,000 related to those life insurance policies are adjusted to accumulated profits as at 1 April 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

**2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments** *(continued)*

*2.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)*

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of restricted bank deposit, bills receivables, other receivables and bank balances and cash, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, no additional impairment allowance is charged against the financial assets as the amount is considered not material.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

#### 2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 March 2018 (Audited) HK\$'000	HKFRS 9 HK\$'000	1 April 2018 (Restated) HK\$'000
<b>Non-current assets</b>			
Available-for-sale investments	19,835	(19,835)	—
Financial assets at FVTPL	—	122,175	122,175
Financial assets at FVTOCI	—	17,500	17,500
Other non-current asset	114,775	(114,775)	—
Other items with no adjustments	5,044,729	—	5,044,729
	5,179,339	5,065	5,184,404
<b>Current assets</b>			
Other items with no adjustments	8,165,957	—	8,165,957
<b>Current liabilities</b>			
Other items with no adjustments	3,396,420	—	3,396,420
<b>Net current assets</b>	4,769,537	—	4,769,537
<b>Total assets less current liabilities</b>	9,948,876	5,065	9,953,941
<b>Capital and reserves</b>			
Equity attributable to owners of the Company	6,934,647	5,065	6,939,712
Non-controlling interests	39,289	—	39,289
<b>Total equity</b>	6,973,936	5,065	6,979,001
<b>Non-current liabilities</b>			
Other items with no adjustments	2,974,940	—	2,974,940
	9,948,876	5,065	9,953,941

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 3. REVENUE AND 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
- (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
<b>Six months ended 30 September 2018</b>				
<b>REVENUE</b>				
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
<i>Timing of revenue recognition</i>				
At a point of time	2,533,957	200,237	(9,686)	2,724,508
<b>RESULTS</b>				
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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 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 2017				
REVENUE				
External sales	2,287,911	259,556	—	2,547,467
Inter-segment sales	14,626	—	(14,626)	—
Segment revenue	2,302,537	259,556	(14,626)	2,547,467
RESULTS				
Segment results	200,422	(6,385)	—	194,037
Unallocated corporate income				36,287
Other gains and losses				54,150
Unallocated corporate expenses				(8,129)
Finance costs				(68,535)
Profit before taxation				207,810

Segment results represent the profit earned 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, 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.

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 3. REVENUE AND SEGMENT INFORMATION *(continued)*

#### Disaggregation of Revenue

	Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
<b>Geographical markets</b>		
Hong Kong	353,505	360,730
The People's Republic of China (the "PRC")	1,344,864	1,286,860
The United States of America (the "US")	276,522	150,198
Korea	234,549	181,418
Bangladesh	213,161	219,074
Taiwan	202,280	232,539
Singapore	38,932	38,824
Canada	13,433	15,423
Germany	2,879	23,359
Japan	—	379
Others	44,383	38,663
	<b>2,724,508</b>	2,547,467

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Impairment loss recognised on goodwill (Note 10)	(6,185)	—
Net (loss) gain on fair value change of derivative financial instruments	(3,425)	53,692
Charge on early termination of a derivative financial instrument	(2,480)	—
Gain on fair value change of financial assets at fair value through profit or loss	1,403	—
Net foreign exchange gain	8,081	1,906
Gain on fair value change of investment properties	2,114	950
Net loss on disposal of property, plant and equipment	(294)	(936)
Impairment loss recognised on trade receivables	—	(141)
Others	544	444
	(242)	55,915

### 5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Current tax:		
Hong Kong Profits Tax	5,004	2,767
Enterprise Income Tax ("EIT") in the PRC	9,874	12,301
	14,878	15,068
Deferred tax for the current period (Note 13)	5,017	1,928
	19,895	16,996

### 5. INCOME TAX EXPENSE *(continued)*

#### **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 2017: nil) PRC subsidiary which qualifies as High New Technology Enterprises and enjoys a preferential tax rate of 15% for current year. The preferential tax rate is applicable for three years until December 2019 and subject to renewal, as determined in accordance with relevant income tax rules and regulations in the PRC.

#### **Macau**

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

#### **Other jurisdictions**

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	165,025	152,764
Release of prepaid lease payments	2,424	2,411
Bank interest income	(13,685)	(25,080)
Rental income from investment properties and plant and equipment (net of negligible outgoings)	(11,323)	(11,207)

### 7. DISTRIBUTION

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 periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 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	
	2018 HK\$'000	2017 HK\$'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company		
for the purpose of basic earnings per share	<b>136,999</b>	192,806
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	<b>19,699</b>	833
Earnings for the purpose of diluted earnings per share	<b>156,698</b>	193,639

	Six months ended 30 September	
	2018 '000	2017 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares		
for the purpose of basic earnings per share	<b>5,031,744</b>	4,193,744
Effect of dilutive potential ordinary shares:		
Convertible bonds	<b>1,333,333</b>	65,574
Scrip dividend option	<b>74,452</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>6,439,529</b>	4,259,318

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group had additions to property, plant and equipment of approximately HK\$367 million (six months ended 30 September 2017: HK\$308 million).

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\$2,114,000 (six months ended 30 September 2017: HK\$950,000) in profit or loss.

### 10. IMPAIRMENT ON GOODWILL

As explained in Note 3, the Group has two (six months ended 30 September 2017: two) operating segments. For the purpose of impairment testing, goodwill was allocated to an individual 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.

Impairment loss amounting to HK\$6,185,000 was recognised in respect of the above CGU due to the continuous deterioration of performance (six months ended 30 September 2017: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 11. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 September 2018 HK\$'000 (unaudited)	At 31 March 2018 HK\$'000 (audited)
Unlisted equity investment (Note i)	—	17,500
Unlisted trust fund (Note ii)	—	2,335
	—	19,835

Notes:

- (i) The above investment in an unlisted equity investment represented investment in an unlisted equity security issued by a private entity incorporated in the PRC. It was measured at cost less impairment at 31 March 2018 because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that its fair value could not be measured reliably. During the current interim period, the Group entered into a sales and purchase agreement to dispose of the unlisted equity investment as described in note 19 and reclassified as asset classified as held for sale.
- (ii) The above investment in an unlisted trust fund is measured at fair value. The trust fund invested in wide range of equity or debt investment products. The fair value is based on quoted price from a financial institution. With the application of HKFRS 9, the unlisted trust fund is reclassified as financial assets at fair value through profit or loss as set out in Note 12(i).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2018 HK\$'000 (unaudited)	At 31 March 2018 HK\$'000 (audited)
Investment in an unlisted trust fund (Note i)	2,001	—
Life insurance policies (Note ii)	121,243	—
	<b>123,244</b>	—

Notes:

- (i) The above investment in an unlisted trust fund is measured at fair value. The trust fund invested in 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, 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 2018

### 13. 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 and property, plant and equipment arising on business combination HK\$'000	Accelerated tax and accounting 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 2017	54,245	(1,333)	29,886	1,925	(2,535)	82,188
(Credit) charge to profit or loss	(1,732)	33	3,499	—	128	1,928
Exchange differences	1,884	—	1,148	97	—	3,129
At 30 September 2017	54,397	(1,300)	34,533	2,022	(2,407)	87,245
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)
<b>At 30 September 2018</b>	<b>49,080</b>	<b>(670)</b>	<b>46,745</b>	<b>1,925</b>	<b>(2,436)</b>	<b>94,644</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 13. 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:

	<b>30 September 2018 HK\$'000</b>	31 March 2018 HK\$'000
Deferred tax assets	<b>4,164</b>	4,152
Deferred tax liabilities	<b>(98,808)</b>	(102,482)
	<b>(94,644)</b>	(98,330)

As at the end of the current interim period, the Group has unused tax losses of HK\$244,530,000 (31 March 2018: HK\$236,139,000) available for offsetting against future profits. No deferred tax asset on the unused tax losses of HK\$244,530,000 (31 March 2018: HK\$236,139,000) has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

At the end of the current interim period, the Group has no other deductible temporary differences (31 March 2018: HK\$48,823,000) in respect of unrealised fair value losses on derivative financial instruments. 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 consolidated financial statements.

### 14. OTHER NON-CURRENT ASSET

The whole amount represented life insurance policies which was reclassified as financial asset at fair value through profit or loss upon the application of HKFRS 9. Details of the life insurance policies are set out in Note 12(ii).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 15. 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 doubtful debts) presented based on the invoice date at the end of the reporting period:

	<b>30 September 2018 HK\$'000</b>	31 March 2018 HK\$'000
0-60 days	<b>1,188,081</b>	1,189,442
61-90 days	<b>435,465</b>	427,848
91-120 days	<b>232,008</b>	188,477
Over 120 days	<b>43,637</b>	128,849
	<b>1,899,191</b>	1,934,616

### 16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

As part of the Group's credit risk management, the Group applies 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 based on application of a provision matrix approach to measurement of ECL.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 17. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Liabilities		Assets	
	30 September 2018 HK\$'000	31 March 2018 HK\$'000	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Structured foreign currency forward contracts:				
— Net-settled contracts	—	—	—	920
Interest rate swap	893	1,599	—	—
Interest rate collars	—	—	3	1,235
	893	1,599	3	2,155

### 18. RESTRICTED BANK DEPOSIT

The amount represents an initial deposit of US\$7,990,000 placed with a bank pursuant to one of the structured foreign currency forward contract entered into during the year ended 31 March 2016. The amount is repaid to the Group during the current period upon the early termination of the contract.

### 19. ASSET CLASSIFIED AS HELD FOR SALE

In September 2018, the Group signed a sales and purchase agreement with an independent third party to dispose of its unlisted equity interest in a private entity established in the PRC at a consideration of RMB15,635,000 (equivalent to HK\$17,767,000). The financial asset at FVTOCI, amounting to HK\$17,767,000, has been reclassified as held for sale and presented separately in the condensed consolidated statement of financial position as at 30 September 2018. The transaction was completed on 5 November 2018.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 20. 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 2018 HK\$'000</b>	31 March 2018 HK\$'000
0-60 days	<b>268,865</b>	240,383
61-90 days	<b>108,733</b>	138,179
91-120 days	<b>86,785</b>	93,760
Over 120 days	<b>27,932</b>	11,354
	<b>492,315</b>	483,676

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

### 21. BANK BORROWINGS

During the current interim period, excluding import loans, trust receipt loans, bank borrowings from discounted bills and debt factored with recourse, the Group obtained new bank loans in the amount of HK\$223,857,000 (six months ended 30 September 2017: HK\$303,781,000) and repaid bank loans in the amount of HK\$346,463,000 (six months ended 30 September 2017: HK\$514,168,000). The bank borrowings of the Group carry interest at market rates ranging from 3.13% to 4.79% per annum (six months ended 30 September 2017: 1.77% to 4.79% per annum).

### 22. CONVERTIBLE BONDS

On 22 September 2017 (the "Issue Date"), the Company issued convertible bonds to two Shareholders, Pearl Garden Pacific Limited ("Pearl Garden") and Madian Star Limited ("Madian Star"), with an aggregate principal sum of HK\$400,000,000 (the "Convertible Bonds") at a total consideration of HK\$400,000,000.

The major terms of the Convertible Bonds are as below:

The Convertible Bonds carry 5% coupon interest per annum payable in arrears semi-annually. Unless previously converted, the Convertible Bonds will be fully redeemed by the Company at its principal amount upon maturity on 23 September 2019 (the "Maturity Date").

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 22. CONVERTIBLE BONDS *(continued)*

The holders of the Convertible Bonds and the Company have the option to redeem the whole or part of the outstanding Convertible Bonds at any time during the period commencing from the Issue Date and expiring on the Maturity Date at par value plus accrued interest (the “Redemption Option”).

The holders of the Convertible Bonds have the right to convert the principal amount of Convertible Bonds into ordinary shares of HK\$0.01 each of the Company (the “Shares”) at an initial conversion price of HK\$0.30 per Share (subject to adjustments) at any time during the period commencing from the Issue Date up to the Maturity Date, subject to the minimum public float requirement.

At initial recognition, the equity component of the Convertible Bonds was separated from the liability component. The equity element is presented in equity as “convertible bonds equity reserve”. The Redemption Option is considered as closely related to the host debt and is not separated from the host contract. The effective interest rate of the liability component is 10.40% per annum.

The movements of the liability component and equity component of the Convertible Bonds during the current period are set out below:

	<b>Liability component HK\$'000</b>	<b>Equity component HK\$'000</b>
At 1 April 2018	369,804	37,085
Interest accrued	19,699	—
Interest paid/payable	(10,109)	—
<b>At 30 September 2018</b>	<b>379,394</b>	<b>37,085</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 23. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
<b>At 1 April 2017, 31 March 2018 and 30 September 2018</b>	<b>40,000,000,000</b>	<b>400,000</b>
<b>Issued and fully paid:</b>		
At 1 April 2017	4,193,744,205	41,937
Issue of Shares upon subscription of Shares, net of related transaction costs (Note)	838,000,000	8,380
<b>At 31 March 2018 and 30 September 2018</b>	<b>5,031,744,205</b>	<b>50,317</b>

Note: On 28 December 2017, the Company entered into a placing agreement with Kingston Securities Limited as placing agent, which are independent and not connected with the Company. Pursuant to the placing agreement, Kingston Securities Limited agreed to place up to 838,000,000 placing Shares to not less than six third parties which (including their ultimate beneficial owners, where applicable) are independent of the Company and their respective connected persons at HK\$0.19 per placing Share. The placing was completed on 18 January 2018. After deducting all related transaction costs, the net proceeds from the subscription amounted to approximately HK\$157,528,000. The placees and their ultimate beneficial owners (if applicable) are third parties independent of and not connected with the Company and its connected persons.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 24. SHARE-BASED PAYMENT TRANSACTIONS

#### Share option scheme of the Company

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

	<b>Number of share options</b>
Outstanding as at 1 April 2017	391,832,185
Lapsed during the year	(108,845,185)
<b>Outstanding as at 31 March 2018 and 30 September 2018</b>	<b>282,987,000</b>

The exercise price of the outstanding options as at 30 September 2018 is HK\$0.373 per Share. These options were immediately vested and are exercisable for a period up to the 5th anniversary of the date of grant.

### 25. OPERATING LEASE ARRANGEMENT

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

During the current interim period, rental income earned was HK\$11,323,000 (six months ended 30 September 2017: HK\$11,207,000).

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

	<b>30 September 2018 HK\$'000</b>	31 March 2018 HK\$'000
Within one year	<b>21,427</b>	6,723
In the second to fifth years, inclusive	<b>15,741</b>	1,143
	<b>37,168</b>	7,866

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 26. CAPITAL COMMITMENTS

	<b>30 September 2018 HK\$'000</b>	31 March 2018 HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated statement of financial position	<b>64,089</b>	108,266

### 27. RELATED PARTY DISCLOSURES

- (i) During the current interim period, the Group paid operating lease rental of HK\$600,000 (six months ended 30 September 2017: HK\$492,000) to Verdure Enterprises Limited (“Verdure”). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

During the current interim period, the Group paid operating lease rental of HK\$408,000 (six months ended 30 September 2017: HK\$408,000) to Takemain Development Limited (“Takemain”). 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 operating lease rentals constitute exempted connected transactions under Chapter 14A of the Listing Rules.

- (ii) During the six months ended 30 September 2017, the Company issued the Convertible Bonds to two Shareholders, Pearl Garden and Madian Star, with an aggregate principal sum of HK\$400,000,000 as detailed in Note 22.
- (iii) The remuneration of Directors and other members of key management during the period was as follows:

	<b>Six months ended 30 September 2018 HK\$'000</b>	2017 HK\$'000
Basic salaries and allowances	<b>11,815</b>	7,372
Retirement benefit scheme contributions	<b>226</b>	154
	<b>12,041</b>	7,526

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

The following table gives information about how the Group determines fair values of various financial assets and financial liabilities:

Financial assets/ financial liabilities	Fair value as at 30 September 2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input	Range of Significant unobservable input as at 30 September 2018
Financial assets at FVTPL (unlisted trust fund)	<b>Asset — HK\$2,001,000</b> (31 March 2018: HK\$2,335,000)	Level 2	Net asset value of the fund provided by the banks, which is based on the fair value of the underlying investments	N/A	N/A
Structured foreign currency forward contracts classified as derivative financial instruments (Note i)	<b>Asset — Nil</b> (31 March 2018: HK\$920,000) ( <i>Not designated for hedging</i> )	Level 3	Monte Carlo Simulation Model  The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement, risk-free rate of HK\$, US\$ and RMB and the average implied volatility of the exchange rate as at valuation date	Average implied volatility of the exchange rate as at valuation date	N/A (31 March 2018: 5.2%—5.6%)
Interest rate collars classified as derivative financial instruments (Note ii)	<b>Asset — HK\$3,000</b> (31 March 2018: HK\$1,235,000) ( <i>Not designated for hedging</i> )	Level 3	Discounted cash flow method and Black-Scholes Model  The key inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity, risk-free rate and the average implied volatility of the interest rate as at valuation date	Average implied volatility of the interest rate as at valuation date	<b>31.3%</b> (31 March 2018: 28.4%—119.3%)
Interest rate swap classified as derivative financial instruments (Note iii)	<b>Liability — HK\$893,000</b> (31 March 2018: HK\$1,599,000) ( <i>Not designated for hedging</i> )	Level 2	Discounted cash flow method  The key inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity, risk-free rate	N/A	N/A
Financial asset At FVTOCI	<b>Asset — HK\$17,767,000</b> (31 March 2018: N/A)	Level 2	Consideration quoted by an independent third party, which is based on the net assets value of the underlying investment	N/A	N/A
Life insurance policies	<b>Asset — HK\$121,243,000</b> (31 March 2018: N/A)	Level 2	Value quoted by the insurance company	N/A	N/A

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

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

Notes:

- (i) The higher the average implied volatility of the exchange rate used, the lower the fair value. If the average implied volatility of the exchange rate is increased/decreased by 5% and held other variables constant, the Group's post-tax profit for the period would have been decreased/increased by approximately HK\$458,000/HK\$465,000.
- (ii) The higher the average implied volatility of the interest rate used, the lower the fair value. Changes in the average implied volatility of the interest rate used will have insignificant impact on the fair value of the interest rate collars.
- (iii) The discounted cash flow method uses only observable market inputs.

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

#### Reconciliation of Level 3 fair value measurements

	<b>Structured foreign currency forward contracts HK\$'000</b>	<b>Interest rate collars HK\$'000</b>	<b>Total HK\$'000</b>
At 1 April 2017	(151,037)	(797)	(151,834)
Amount paid during the period	54,900	—	54,900
Net fair value gains (losses)	54,706	(345)	54,361
At 30 September 2017	(41,431)	(1,142)	(42,573)
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)
<b>At 30 September 2018</b>	<b>—</b>	<b>3</b>	<b>3</b>



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

*(incorporated in Bermuda with limited liability)*

**INTRODUCTION**

We have reviewed the condensed consolidated financial statements of Victory City International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 3 to 43, which comprise the condensed consolidated statement of financial position as of 30 September 2018 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 2018

# BUSINESS REVIEW AND PROSPECTS

## BUSINESS REVIEW

During the first half of 2018/19, the global economic conditions remained unstable and challenges continue to cloud the worldwide consumer markets. The recent trade war between US and the PRC has no direct business affection as the Group does not export finished products directly from the PRC to the US. Thanks to the supports and encouragement from valuable customers, the Group aggressively attained overseas and domestic orders, thus fuelling an encouraging growth in the revenue during the reporting period.

For the six months ended 30 September 2018, the Group's unaudited consolidated revenue was approximately HK\$2,725 million, representing an increase of approximately 6.9% as compared to the previous corresponding period (1H2017: HK\$2,547 million). Gross profit increased by approximately 14.7% to approximately HK\$487 million (1H2017: HK\$425 million). Profit attributable to owners of the Company for the reporting period amounted to approximately HK\$137 million, which included gain on fair value change of investment properties of approximately HK\$2 million (1H2017: HK\$1 million), gain on fair value change of financial assets of approximately HK\$1 million (1H2017: Nil), net loss on fair value change of derivative financial instruments of approximately HK\$6 million (1H2017: net gain of HK\$54 million), impairment loss recognised on goodwill of approximately HK\$3 million (1H2017: Nil) and additional accrued convertible bond interest of approximately HK\$10 million (1H2017: Nil). Hence, profit for core operations for the six months ended 30 September 2018 was approximately HK\$152 million after adjusting the above-mentioned non-operating gains and losses, representing a year-on-year growth of approximately 7% (1H2017: HK\$142 million). Basic earnings per Share was HK2.7 cents (1H2017: HK4.6 cents).



## Textile Business

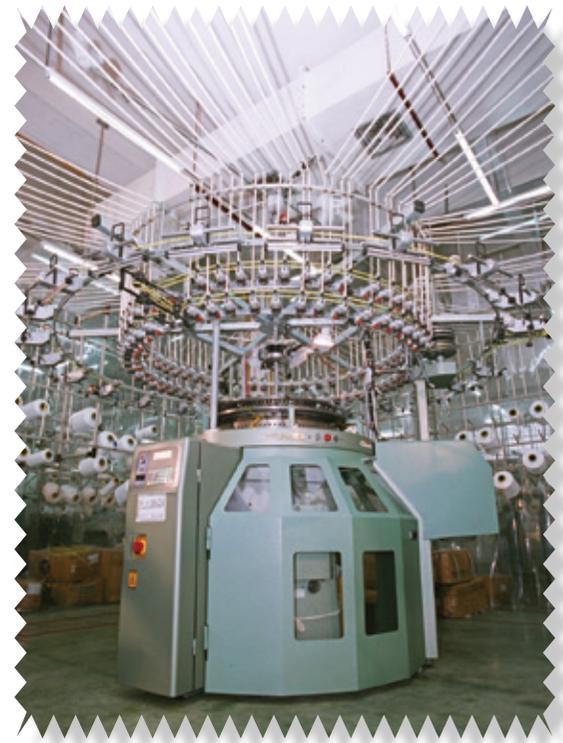
For the six months ended 30 September 2018, production and sale of knitted fabric and dyed yarn remained the major business segment of the Group, accounting for approximately 92.7% of the Group's consolidated revenue. Revenue for the textile segment was approximately HK\$2,524 million, representing an increase of approximately 10.3% from the previous corresponding period (1H2017: HK\$2,288 million).

During the period under review, cotton price and fuel costs increased noticeably which exerted pressure to all industry players. With dedicated effort of all staff, the Group managed to achieve almost full utilisation of the production capacity to capture the increasing orders, mainly attributable to the Group's continuous strategy of placing more effort and resources on established mass market customers. High utilisation lifted the operating efficiency and achieved economies of scale. Together with lean management, technology automation, machinery upgrade, cost reduction and control initiatives, the Group managed to offset the rising pressure of operating costs and leveraged down the manufacturing overheads. Gross profit margin was approximately 18.2% (1H2017: 17.3%) and net profit (after adjusting non-operating gains and losses) was approximately HK\$158 million (1H2017: HK\$148 million) for the six months ended 30 September 2018 for the textile segment.

### Garment Business

For the six months ended 30 September 2018, revenue of the garment business was approximately HK\$200 million with a decrease of approximately 22.9% from approximately HK\$260 million in the same period last year. The drop was mainly attributable to the consolidation of our apparel product clientele to focus on customers with more stable order streams and gross profit margin.

Gross profit was approximately HK\$28 million which was comparable to the same period in 2017 while gross profit margin improved from approximately 10.9% in 2017 to approximately 14.2% in 2018. The increase was mainly the result of focusing on clientele of stable orders and profit margin. There was a net loss of approximately HK\$17 million after a non-recurring goodwill written off of approximately HK\$6 million for the production base in the PRC that has evolved into primarily a product development center and back office supporting export businesses. The loss was mainly attributable to the increasing operating costs of the Group's garment production bases.



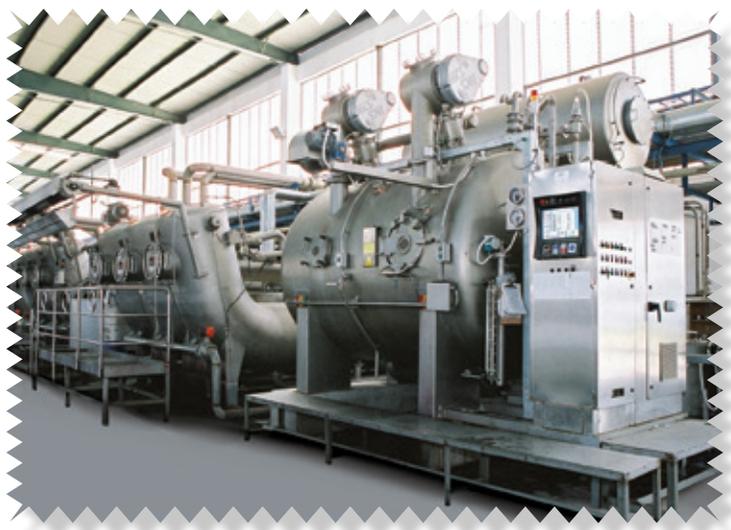
### PROSPECTS

Looking forward to the second half of 2018/19, the world economy and the retail market are expected to remain uncertain while consumer sentiments remain sluggish. The Group is prudently optimistic about its performance as the order book and production capacity continue to remain promising while cotton price has been stabilised recently.

As previously mentioned, the Group is not directly affected by the trade war between the PRC and the US. The Directors will closely monitor the operating environment to take necessary business measures. The Group is actively planning for a new fabric production site outside the PRC for potential expansion as well as risk diversification.

While the Group is planning to direct more resources to the more profitable textile business, the Group will continue to focus on major garment customers with stable orders and profit margin, and leverage on the flexibility in using more garment sub-contractors to maintain competitiveness of the garment business. Potential buyers have contacted the Group for possible acquisition of the Group's offshore production bases. No agreement has been signed as at the date of this report.

Looking ahead, the Group will continue to strengthen the competitiveness of its vertically integrated business foundation. In the backdrop of having a handful of market opportunities ahead, the Group will endeavor 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 2018, the Group had total assets of approximately HK\$12,606 million (31 March 2018: HK\$13,345 million) which were financed by current liabilities of approximately HK\$3,412 million (31 March 2018: HK\$3,396 million), long term liabilities of approximately HK\$2,927 million (31 March 2018: HK\$2,975 million) and shareholders' equity of approximately HK\$6,243 million (31 March 2018: HK\$6,935 million). The current ratio was approximately 2.3 (31 March 2018: 2.4) 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 40.0% (31 March 2018: 33.4%). 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\$367 million (1H2017: HK\$308 million) on additions to property, plant and equipment.

As at 30 September 2018, the Group had capital commitments of approximately HK\$64 million (31 March 2018: HK\$108 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 2018, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK\$411 million (31 March 2018: HK\$423 million) were pledged to banks to secure credit facilities granted.

### Employee Information

As at 30 September 2018, the total number of employees of the Group was approximately 1,130 in Cambodia, approximately 1,030 in Indonesia, approximately 4,340 in the PRC and approximately 110 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.

## INTERIM DIVIDEND

The Directors has resolved not to declare any interim dividend for the six months ended 30 September 2018.

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

As at 30 September 2018, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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	1,309,398,667 Shares (L) (Notes 2 & 4)	—	26.02% (Note 17)
	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	1,309,398,667 Shares (L) (Notes 3 & 4)	—	26.02% (Note 17)
	The Company	Beneficial owner	3,375,000 Shares (L)	—	0.07%
	VC Company (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%

## 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 Overseas (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	—	39.4%
Choi Lin Hung	The Company	Beneficial owner	12,750,000 Shares (L)	—	0.25%
	The Company	Beneficial owner	—	15,721,500 Shares (L) (Note 5)	0.31%
	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 6)	—	49%
	Ford Glory Holdings Limited ("FG Holdings") (Note 15)	Interest of controlled corporation	100 ordinary shares of US\$1.00 each (L) (Note 7)	—	100%
	Ford Glory International Limited ("FG International") (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 8)	—	100%
	Rocwide 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 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 9)	—	100%
	Surefaith Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	—	100%
	PT. Victory Apparel Semarang (Note 15)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (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%
	Mayer Apparel Limited (Note 15)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 14)	—	51%
	Talent Partner Holdings Limited (Note 15)	Interest of controlled corporation	51 ordinary shares of US\$1.00 each (L) (Note 14)	—	51%

## 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
	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%
	Brilliant Fashion Inc. (Note 15)	Interest of controlled corporation	100 common shares of no par value (L) (Note 14)	—	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%
	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	2,000,000 Shares (L)	—	0.04%

## 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 ("Cornice"), the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members.
3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited ("Yonice"), the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui's family members.
4. On 22 September 2017, the Company issued the 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 Convertible Bonds for 666,666,667 Shares at an initial conversion price for HK\$0.30 per conversion share upon full exercise of its conversion rights.
5. On 12 October 2016, Mr. Choi Lin Hung was granted 15,000,000 options under the share option scheme of the Company 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 (the "Rights Issue"), the number of options owned by Mr. Choi Lin Hung was adjusted to 15,721,500 to subscribe for 15,721,500 Shares, exercisable at an adjusted price of HK\$0.373 per Share during a period from 12 October 2016 to 11 October 2021.
6. 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.
7. These shares were held by Sure Strategy.
8. This registered capital was beneficially owned by FG International which is a wholly-owned subsidiary of FG Holdings.
9. This registered capital was beneficially owned as to 40% by FG Holdings and as to 60% by Rocwide Limited.
10. These shares was beneficially owned by Surefaith 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.

## OTHER DISCLOSURES

Save as disclosed above in this report, as at 30 September 2018, 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 2018, 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:

<b>Name of person/entity</b>	<b>Number of Shares</b> (Note 1)	<b>Capacity</b>	<b>Approximate % of interest</b>
Pearl Garden	1,309,398,667 (L)	Beneficial owner (Note 2)	26.02%
Cornice	1,309,398,667 (L)	Interest of controlled corporation (Note 2)	26.02%
Madian Star	1,309,398,667 (L)	Beneficial owner (Note 3)	26.02%
Yonice	1,309,398,667 (L)	Interest of controlled corporation (Note 3)	26.02%
Fiducia Suisse SA	2,618,797,334 (L)	Trustee (Notes 2 & 3)	52.04%

Name of person/entity	Number of Shares (Note 1)	Capacity	Approximate % of interest
David Henry Christopher Hill	2,618,797,334 (L)	Interest of controlled corporation (Note 6)	52.04%
Rebecca Ann Hill	2,618,797,334 (L)	Interest of spouse (Note 7)	52.04%
Ho Yuen Mui Shirley	1,309,398,667 (L)	Interest of spouse (Note 4)	26.02%
Or Kwai Ying	1,312,773,667 (L)	Interest of spouse (Note 5)	26.09%

## Notes:

- The letter "L" represents the person's or entity's interests in the Shares and underlying Shares.
- These Shares were held by Pearl Garden. Pearl Garden is wholly owned by Cornice, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members. Mr. Chen Tien Tui is a director of each of Pearl Garden and Cornice. These Shares include (i) 642,732,000 Shares held by Pearl Garden; and (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Pearl Garden on 22 September 2017 at an initial conversion price of HK\$0.30 per conversion share.
- These Shares were held by Madian Star. Madian Star is wholly owned by Yonice, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui's family members. Mr. Li Ming Hung is a director of each of Madian Star and Yonice. These Shares include (i) 642,732,000 Shares held by Madian Star; and (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Madian Star on 22 September 2017 at an initial conversion price of HK\$0.30 per conversion share.
- Ms. Ho Yuen Mui Shirley is the wife of Mr. Li Ming Hung.
- Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.
- 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.
- Ms. Rebecca Ann Hill is the wife of Mr. David Henry Christopher Hill.

## OTHER DISCLOSURES

Save as disclosed above, so far as is known to the Directors, as at 30 September 2018, there was no person or entity (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares and/or underlying Shares (including interest in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTIONS

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 15 March 2011, the share option scheme adopted by the Company pursuant to an ordinary resolution passed at the special general meeting held on 30 November 2001 was terminated and the existing share option scheme (the “Scheme”) of the Company was adopted.

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 Rights Issue HK\$	Exercisable period	Number of share options					Outstanding at 30 September 2018
					Outstanding at 1 April 2018					
					Granted	Exercised	Cancelled	Lapsed		
Directors (Note 1)	12/10/2016	0.391	0.373	12/10/2016 to 11/10/2021	15,721,500	—	—	—	—	15,721,500
Other employees (Note 2)	12/10/2016	0.391	0.373	12/10/2016 to 11/10/2021	238,966,800	—	—	—	—	238,966,800
Others	12/10/2016	0.391	0.373	12/10/2016 to 11/10/2021	28,298,700	—	—	—	—	28,298,700
					282,987,000	—	—	—	—	282,987,000

Notes:

- Details of options granted to each of the Directors are set out in the paragraph headed “Directors’ and chief executives’ interest in shares and underlying shares” in this report above.
- Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

## EVENTS AFTER THE REPORTING PERIOD

There were no other significant events affecting the Group after the period ended 30 September 2018.

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

During the six months ended 30 September 2018, 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 2018 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 2018.

## 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.

The Committee has reviewed the unaudited financial statements of the Group for the six months ended 30 September 2018 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.

## OTHER DISCLOSURES

### 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.

<b><u>Name of Director</u></b>	<b><u>Details of changes in Director's particulars subsequent to 2018 annual report</u></b>
Choi Lin Hung	Mr. Choi is the chairman of the board of directors and the chief executive officer of Jerash Holdings (US) Inc., a company listed on the NASDAQ Stock Market (NASDAQ: JRSH) on 4 May 2018.

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

**Li Ming Hung**  
*Chairman*

Hong Kong, 28 November 2018



**VICTORY CITY INTERNATIONAL HOLDINGS LIMITED**

冠華國際控股有限公司

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