



**VICTORY CITY
INTERNATIONAL HOLDINGS LIMITED**

冠華國際控股有限公司

stock code 股份代號 : 539



2013/14中期報告
Interim Report

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BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Lee Chung Shing

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

MAJOR BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China CITIC Bank International Limited
Bank of America, N.A.
United Overseas Bank Limited
Rabobank International

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY WEBSITE

www.victorycity.com.hk

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2013

	Notes	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue	3	2,500,082	1,993,707
Cost of sales		(2,079,382)	(1,599,066)
Gross profit		420,700	394,641
Other income		29,114	9,671
Other gains and losses	4	9,753	(13,758)
Distribution and selling expenses		(74,952)	(51,346)
General and administrative expenses		(178,782)	(155,553)
Share-based payment expenses	9	(1,004)	(34,343)
Interest on bank borrowings		(46,322)	(48,339)
Profit before taxation		158,507	100,973
Income tax expense	5	(11,014)	(14,606)
Profit for the period	6	147,493	86,367
Other comprehensive income (expense) that may be subsequently reclassified to profit or loss:			
Gain on fair value change of an available-for-sale investment		130	–
Exchange differences arising on translation of foreign operations		651	(44,112)
Other comprehensive income (expense) for the period		781	(44,112)
Total comprehensive income for the period		148,274	42,255

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2013

	Note	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		140,337	84,647
Non-controlling interests		7,156	1,720
		147,493	86,367
Total comprehensive income for the period attributable to:			
Owners of the Company		141,121	40,513
Non-controlling interests		7,153	1,742
		148,274	42,255
Earnings per share	8		
Basic		HK8.5 cents	HK5.5 cents
Diluted		HK8.3 cents	HK5.5 cents

Condensed Consolidated Statement of Financial Position

At 30 September 2013

	Notes	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	2,937,869	2,924,111
Prepaid lease payments		183,450	185,366
Investment property	10	32,000	32,000
Goodwill		6,614	6,614
Intangible asset		1,000	1,000
Other assets		26,040	26,040
Restricted bank deposits	11	116,747	77,295
Deferred tax assets	17	1,718	1,835
Deposit paid for acquisition of property, plant and equipment		5,826	2,262
		3,311,264	3,256,523
Current assets			
Inventories		2,122,397	2,061,165
Trade and bills receivables	12	1,308,613	1,232,526
Deposits, prepayments and other receivables		244,072	288,034
Prepaid lease payments		4,702	4,694
Derivative financial instruments	13	14,994	19,044
Available-for-sale investment		1,222	–
Taxation recoverable		285	737
Bank balances and cash		1,669,732	1,692,922
		5,366,017	5,299,122
Current liabilities			
Trade payables	14	498,647	510,574
Other payables and accruals		154,801	150,456
Dividend payable		41,570	105
Taxation payable		94,883	89,651
Bank borrowings – amount due within one year	15	1,903,748	1,772,064
Derivative financial instruments	13	17,052	10,807
		2,710,701	2,533,657
Net current assets		2,655,316	2,765,465
Total assets less current liabilities		5,966,580	6,021,988

Condensed Consolidated Statement of Financial Position

At 30 September 2013

	Notes	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Capital and reserves			
Share capital	16	16,616	16,228
Reserves		4,781,353	4,645,745
Equity attributable to owners of the Company		4,797,969	4,661,973
Non-controlling interests		260,528	249,231
Total equity		5,058,497	4,911,204
Non-current liabilities			
Bank borrowings – amount due after one year	15	821,420	1,023,912
Deferred tax liabilities	17	86,663	86,872
		908,083	1,110,784
		5,966,580	6,021,988

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Attributable to owners of the Company											Attributable to non-controlling interests				Total
	Share capital	Share premium	Special reserve	Capital redemption reserve	Capital reserve	Translation reserve	Dividend reserve	Warrant reserve	Share option reserve	Investments revaluation reserve	Accumulated profits	Sub-total	Share option reserve of a subsidiary	Share of net assets of subsidiaries	Sub-total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2012 (audited)	15,474	1,587,725	(5,530)	39	76,229	625,599	-	-	-	-	2,122,373	4,421,909	19,071	217,458	236,529	4,658,438
Profit for the period	-	-	-	-	-	-	-	-	-	-	84,647	84,647	-	1,720	1,720	86,367
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(44,134)	-	-	-	-	-	(44,134)	-	22	22	(44,112)
Total comprehensive income for the period	-	-	-	-	-	(44,134)	-	-	-	-	84,647	40,513	-	1,742	1,742	42,255
2012 Final dividend approved but not yet paid	-	-	-	-	-	-	-	-	-	-	(38,684)	(38,684)	-	-	-	(38,684)
Recognition of equity-settled share-based payments by the Company	-	-	-	-	-	-	-	-	28,300	-	-	28,300	-	-	-	28,300
Recognition of equity-settled share-based payments by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	6,043	-	6,043	6,043
Release of equity-settled share-based payments upon cancellation/lapse of options in a subsidiary	-	-	-	-	-	-	-	-	-	-	184	184	(184)	-	(184)	-
At 30 September 2012 (unaudited)	15,474	1,587,725	(5,530)	39	76,229	581,465	-	-	28,300	-	2,168,520	4,452,222	24,930	219,200	244,130	4,696,352

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Attributable to owners of the Company											Attributable to non-controlling interests				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Warrant reserve HK\$'000	Share option reserve HK\$'000	Investments revaluation reserve HK\$'000	Accumulated profits HK\$'000	Sub-total HK\$'000	Share of net assets of subsidiaries		Sub-total HK\$'000	
													Share option reserve of a subsidiary HK\$'000	assets of subsidiaries HK\$'000		
At 31 March 2013 (audited)	16,228	1,642,061	(5,530)	39	76,229	646,191	-	500	28,194	-	2,258,061	4,661,973	30,880	218,351	249,231	4,911,204
Profit for the period	-	-	-	-	-	-	-	-	-	-	140,337	140,337	-	7,156	7,156	147,493
Gain of fair value change of available-for-sale investment	-	-	-	-	-	-	-	-	-	130	-	130	-	-	-	130
Exchange differences arising on translation of foreign operations	-	-	-	-	-	654	-	-	-	-	-	654	-	(3)	(3)	651
Total comprehensive income for the period	-	-	-	-	-	654	-	-	-	130	140,337	141,121	-	7,153	7,153	148,274
2013 Final dividend approved but not yet paid	-	-	-	-	-	-	-	-	-	-	(41,465)	(41,465)	-	-	-	(41,465)
Recognition of equity-settled share-based payments by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1,004	-	1,004	1,004
Exercise of warrants	280	24,920	-	-	-	-	(280)	-	-	-	-	24,920	-	-	-	24,920
Exercise of share options	108	10,834	-	-	-	-	-	(2,535)	-	-	-	8,407	-	-	-	8,407
Lapse of share options	-	-	-	-	-	-	-	(12)	-	12	-	-	-	-	-	-
Exercise of share options of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,393	2,393	(2,393)	5,607	3,214	5,607
Lapse of share options of a subsidiary	-	-	-	-	-	-	-	-	-	-	74	74	(74)	-	(74)	-
Dissolution of a subsidiary	-	-	-	-	-	546	-	-	-	-	-	546	-	-	-	546
At 30 September 2013 (unaudited)	16,616	1,677,815	(5,530)	39	76,229	647,391	-	220	25,647	130	2,359,412	4,797,969	29,417	231,111	260,528	5,058,497

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Net cash from operating activities	142,781	196,363
Net cash used in investing activities:		
Purchase of property, plant and equipment	(133,897)	(251,653)
Placement of restricted bank deposit	(38,025)	(76,050)
Purchase of available-for-sale investment	(1,092)	–
Settlement from loan receivables	56,250	–
Proceeds from disposal of property, plant and equipment	551	2,235
Other investing cash flows	–	(155)
	(116,213)	(325,623)
Net cash (used in) from financing activities:		
Repayment of bank loans	(420,102)	(1,174,280)
New bank loans raised	305,643	1,686,177
Net amount of import loans, trust receipt loans and mortgage loans raised	25,626	88,762
Exercise of warrants	24,920	–
Exercise of share options of the Company	8,407	–
Exercise of share options of a subsidiary	5,607	–
	(49,899)	600,659
Net (decrease) increase in cash and cash equivalents	(23,331)	471,399
Cash and cash equivalents at beginning of the period	1,692,922	1,099,022
Effect of foreign exchange rate changes	141	(7,770)
Cash and cash equivalents at end of the period, represented by bank balances and cash	1,669,732	1,562,651

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013.

Available-for-sale financial assets

Available-for-sale (“AFS”) financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. During the six months ended 30 September 2013, the Group invested in an unlisted investment fund issued by a financial institution. It is designated as AFS financial assets on initial recognition.

Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. The directors of the Company (“Directors”) considered that the application of HKFRS 13 does not have any impact on the Group’s fair value measurement. However, it results in additional disclosures of fair value information of the restricted bank deposits, derivative financial instruments and available-for-sale investment as set out in Note 20. In accordance with the transitional provisions of HKFRS 13, the Group has applied the disclosure requirements prospectively.

3. SEGMENT INFORMATION

The Group's operations used to be organised into two operating segments, information of which is used by the executive Directors for the purpose of performance evaluation and resources allocation. In 2012, the Group ventured into the resin manufacturing business by making use of its existing relevant licenses and certain infrastructure facilities in the manufacturing plant in Xinhui. Details of the Group's three reportable segments are as follows:

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

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

Six months ended 30 September 2013

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Resin manufacturing HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	1,745,227	549,876	204,979	–	2,500,082
Inter-segment sales	23,018	–	–	(23,018)	–
Segment revenue	1,768,245	549,876	204,979	(23,018)	2,500,082
RESULTS					
Segment results	185,272	16,001	5,052		206,325
Unallocated corporate income and gain					8,678
Unallocated corporate expenses and loss					(10,174)
Finance costs					(46,322)
Profit before taxation					158,507

3. SEGMENT INFORMATION *(continued)*

Six months ended 30 September 2012

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	1,404,554	589,153	–	1,993,707
Inter-segment sales	58,311	–	(58,311)	–
Segment revenue	1,462,865	589,153	(58,311)	1,993,707
RESULTS				
Segment results	142,616	23,802		166,418
Unallocated corporate income and gain				3,303
Unallocated corporate expenses and loss				(20,409)
Finance costs				(48,339)
Profit before taxation				100,973

Segment profit represents the profit earned by each segment without allocation of rental income, gain on fair value change of an investment property, net gain (loss) on fair value changes of derivative financial instruments and restricted bank deposits, central administration costs and finance costs. This is the measure reported to the executive Directors for the purposes of resource allocation and performance evaluation.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Net foreign exchange loss	(254)	(10,039)
Net gain (loss) on fair value changes of derivative financial instruments	9,451	(6,102)
Loss on disposal of property, plant and equipment	(871)	(62)
Gain on fair value changes of restricted bank deposits	1,427	1,445
Gain on fair value change of an investment property	–	1,000
	9,753	(13,758)

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Current tax:		
Hong Kong Profits Tax	6,457	5,541
Enterprise Income Tax in the People's Republic of China (the "PRC") attributable to the subsidiaries	4,591	7,756
Overseas income tax	66	515
	11,114	13,812
Deferred tax:		
Current period (Note 17)	(100)	794
	11,014	14,606

5. INCOME TAX EXPENSE *(continued)***Hong Kong**

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

PRC

Pursuant to the relevant laws and regulations in the PRC, one of the PRC subsidiaries of the Group is exempted from PRC enterprise income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. Accordingly, the profit of that PRC subsidiary is subject to PRC enterprise income tax at a reduced rate of 12.5% for the six months ended 30 September 2012. Such tax concession expired on 31 December 2012 and the tax rate became 25% for the six months ended 30 September 2013.

Other PRC subsidiaries are subject to PRC statutory tax rate of 25%.

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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	131,492	129,132
Release of prepaid lease payments	2,192	2,129
Interest income	(14,156)	(7,433)

7. DISTRIBUTION

On 20 August 2013, the Company approved a final dividend of approximately HK\$41,465,000 representing HK2.5 cents per share in respect of the financial year ended 31 March 2013. The amount of final dividend approved was in cash with a scrip option.

The Directors have determined that an interim dividend of approximately HK\$51,193,000 representing HK3.0 cents per share for the six months ended 30 September 2013 (six months ended 30 September 2012: approximately HK\$31,752,000 representing HK2.0 cents per share), in cash with a scrip option, to be paid to the shareholders of the Company (the "Shareholders").

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	
	2013 HK\$'000	2012 HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	140,337	84,647
Effect of dilutive potential ordinary shares: Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	(269)	(57)
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	140,068	84,590
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	1,643,080	1,547,356
Effect of dilutive potential shares:		
– Share options of the Company	34,797	2,193
– Unlisted warrants	2,324	–
Weighted average number of shares for the purpose of diluted earnings per share	1,680,201	1,549,549

9. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme of the Company

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

	Number of share options
Outstanding as at 1 April 2013	119,550,000
Exercised during the period	(10,750,000)
Lapsed during the period	(50,000)
Outstanding as at 30 September 2013	108,750,000

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

Share option scheme of a subsidiary

A subsidiary of the Group, Ford Glory Group Holdings Limited ("FGG") also operates a share option scheme ("FGG Share Option Scheme") adopted on 2 June 2010. The movements of the share options under the FGG Share Option Scheme are as follows:

	Number of FGG share options
Outstanding as at 1 April 2012	83,015,000
Exercised during the year	(120,000)
Lapsed during the year	(1,035,000)
Outstanding as at 31 March 2013	81,860,000
Exercised during the period	(8,572,000)
Lapsed during the period	(200,000)
Outstanding as at 30 September 2013	73,088,000

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

The total fair value of the 42,920,000 share options granted on 27 April 2011 was approximately HK\$24,600,000. The Group recognised share-based payment expense of approximately HK\$1,004,000 for the current interim period with reference to their vesting period (six months ended 30 September 2012: HK\$6,043,000).

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the current interim period, the Group has approximately HK\$130 million (six months ended 30 September 2012: HK\$252 million) additions to property, plant and equipment.

The Group's investment property as at the end of the current interim period was fair valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of valuers not connected with the Group. The valuation was determined with reference to recent market prices for similar properties in similar locations and conditions. The fair value of the investment property has not changed for the six months ended 30 September 2013 (six months ended 30 September 2012: increase in fair value of HK\$1,000,000).

11. RESTRICTED BANK DEPOSITS

This represents initial deposit of US\$4,875,000 (31 March 2013: nil) and US\$9,750,000 (31 March 2013: US\$9,750,000) placed with a financial institution pursuant to two of the Net-settled Contracts (as defined in Note 13) entered into during the six months ended 30 September 2013 and 30 September 2012 respectively.

The amount is repayable to the Group on 29 April 2016 and 26 December 2014 at US\$5,000,000 and US\$10,000,000 respectively unless the relevant contract is early terminated pursuant to Knockout Event (as defined in Note 13) whereby the financial institution will repay US\$5,000,000 and US\$10,000,000 to the Group immediately.

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

12. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period ranging between 30-150 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 each reporting period:

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
0-60 days	918,053	890,262
61-90 days	210,997	179,201
91-120 days	136,727	115,237
Over 120 days	42,836	47,826
	1,308,613	1,232,526

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Liabilities		Assets	
	30 September 2013 HK\$'000	31 March 2013 HK\$'000	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Structured foreign currency forward contracts:				
– Net-settled Contracts	13,197	4,460	14,994	18,944
– Gross-settled Contract	–	–	–	100
Interest rate swap	3,855	6,347	–	–
	17,052	10,807	14,994	19,044

13. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The Group has entered into certain contracts with various financial institutions to hedge against an increase in RMB/US\$ exchange rate for certain agreed periods of time. In most cases, the Group and the respective financial institutions would settle on a net basis with reference to the fluctuation of the RMB/US\$ exchange rate against the pre-determined exchange rate on a monthly or semi-annually basis (the “Net-Settled Contracts”) over the contract periods. Certain of these contracts also include a knockout provision whereby the contracts will be automatically terminated in certain scenarios (the “Knockout Event”). In one case, however, the Group is obliged to sell US\$ to, and buy RMB from, the relevant financial institution at an agreed exchange rate when the RMB/US\$ exchange rate falls below the specified level (the “Gross-settled Contract”).

14. TRADE PAYABLES

The following is aged analysis of trade payables presented based on the invoice date at the end of each reporting period.

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
0-60 days	345,651	466,216
61-90 days	99,539	26,048
Over 90 days	53,457	18,310
	498,647	510,574

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans in the amount of approximately HK\$305,643,000 (six months ended 30 September 2012: HK\$1,686,177,000) and repaid bank loans in the amount of approximately HK\$420,102,000 (six months ended 30 September 2012: HK\$1,174,280,000). The bank borrowings of the Group carry interest at market rates ranging from 1.21% to 7.57% per annum (“p.a.”) (six months ended 30 September 2012: ranging from 1.15% to 6.6% p.a.).

16. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2012, 31 March 2013 and 30 September 2013	40,000,000,000	400,000
Issued and fully paid:		
At 1 April 2012 and 30 September 2012	1,547,356,666	15,474
At 1 April 2013	1,622,838,589	16,228
Exercise of share options (Note 9)	10,750,000	108
Exercise of warrants (note i)	28,000,000	280
At 30 September 2013	1,661,588,589	16,616

note:

- (i) On 5 February 2013, the Company issued 50,000,000 unlisted warrants to independent placees at an issue price of HK\$0.01 per warrant. Each warrant can subscribe for one share of the Company at an exercise price of HK\$0.89 per Share, subject to anti-dilutive adjustments. The proceeds from the issue were HK\$500,000. The exercise period of the warrants is 12 months from their date of issue.

During the six months ended 30 September 2013, 28,000,000 warrants were exercised at a subscription price of HK\$0.89 per share, resulting in the issue of 28,000,000 ordinary shares of HK\$0.01 each of the Company. The proceeds received are intended to be used to invest in some other suitable investment opportunities to be identified by the Company.

At 30 September 2013, the Company has outstanding 22,000,000 (2012: nil) warrants. Exercise in full of such warrants would result in the issue of 22,000,000 additional ordinary shares at a subscription price of HK\$0.89 each.

All shares issued during the period ranked pari passu in all respects with the then existing shares.

17. DEFERRED TAX ASSETS (LIABILITIES)

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

	Fair value adjustment on prepaid lease payments and property, plant and equipment arising on business combination	Accelerated tax and accounting depreciation	Dividend withholding tax	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	76,987	(755)	13,252	(2,562)	86,922
(Credit) charge to profit or loss	(1,732)	–	2,526	–	794
Exchange differences	–	–	(96)	–	(96)
At 30 September 2012	75,255	(755)	15,682	(2,562)	87,620
(Credit) charge to profit or loss	(1,732)	(331)	(893)	269	(2,687)
Exchange differences	–	–	104	–	104
At 31 March 2013	73,523	(1,086)	14,893	(2,293)	85,037
(Credit) charge to profit or loss	(1,732)	–	1,515	117	(100)
Exchange differences	–	–	8	–	8
At 30 September 2013	71,791	(1,086)	16,416	(2,176)	84,945

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

17. DEFERRED TAX ASSETS (LIABILITIES) *(continued)*

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

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Deferred tax assets	1,718	1,835
Deferred tax liabilities	(86,663)	(86,872)
	(84,945)	(85,037)

18. CAPITAL COMMITMENTS

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	36,005	84,514

19. RELATED PARTY DISCLOSURES

- (i) During the current interim period, the Group paid operating lease rental of approximately HK\$54,000 (six months ended 30 September 2012: HK\$54,000) to Verdure Enterprises Limited (“Verdure”). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

During the current interim period, the Group paid operating lease rental of approximately HK\$438,000 (six months ended 30 September 2012: nil) to Win Most Development Limited (“Win Most”). Win Most is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

During the current interim period, the Group paid operating lease rental of approximately HK\$408,000 (six months ended 30 September 2012: nil) to Rich Trade Development Limited (“Rich Trade”). Rich Trade is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

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

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

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Basic salaries and allowances	7,285	6,600
Retirement benefit scheme contributions	137	130
Share-based payments	–	5,283
	7,422	12,013

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's restricted bank deposits and derivative financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Financial assets/ financial liabilities	Fair value as at 30 September 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Restricted bank deposits in the condensed consolidated statement of financial position (note 1)	Assets – HK\$116,747,000	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement of the related structured foreign currency forward contract, risk-free rate of US\$ and RMB and the average implied volatility of the exchange rate as at valuation date
Structured foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position (note 1)	Assets – HK\$14,994,000; Liabilities – HK\$13,197,000 <i>(Both not designated for hedging)</i>	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement, risk-free rate of US\$ and RMB and the average implied volatility of the exchange rate as at valuation date
Interest rate swap classified as derivative financial instruments in the condensed consolidated statement of financial position (note 2)	Liability – HK\$3,855,000 <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
Interest in unlisted investment fund issued by a financial institution classified as available-for-sale investment in the condensed consolidated statement of financial position	Asset – HK\$1,222,000	Level 2	Quoted price from the financial institution

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

note 1: These valuation techniques use only observable inputs or unobservable inputs that are not significant to the overall valuation. Therefore, relationship of unobservable inputs to fair value is not disclosed. Sensitivity of the fair value measurement to changes in unobservable inputs in the valuation models is not presented as changes in the unobservable inputs lead to asymmetric changes in the fair values.

note 2: The discounted cash flow method uses only observable inputs.

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

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements of financial assets

	Restricted bank deposits	Structured foreign currency forward contracts	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	77,295	14,586	91,881
Placement of restricted bank deposit	38,025	–	38,025
Premium received on contract date	–	(428)	(428)
Fair value gains (note):			
– realised	–	5,162	5,162
– unrealised	1,427	1,797	3,224
Settlement	–	(19,320)	(19,320)
At 30 September 2013	116,747	1,797	118,544

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



**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 28, which comprise the condensed consolidated statement of financial position as of 30 September 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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, 29 November 2013

Business Review and Prospects

BUSINESS REVIEW

Following a tough year in 2012, the operating environment for the world's textile and garment industry has showed signs of recovery since the beginning of 2013. Demand in export and domestic markets in the PRC stayed positive. From January to September 2013, the export value of the PRC's textile products amounted to approximately US\$215.3 billion, representing an increase of approximately 11.7% over the same period last year according to the Ministry of Industry and Information Technology of the PRC. Domestically, the Chinese Government has set an annual gross domestic product growth target of 7.5% for 2013, which would be the PRC's weakest pace in the past 23 years, signaling a modest slowdown in the domestic market. Against the backdrop of such unstable operating environment, the Group, however, has been well-prepared to grasp the recovery of order book in its textile business during the reporting period. Together with the newly established resin operations, the Group has successfully achieved an encouraging growth for the reporting period.

For the six months ended 30 September 2013, the Group's unaudited consolidated revenue was approximately HK\$2,500 million, representing a growth of approximately 25.4% as compared with that of the previous corresponding period (1H2012: approximately HK\$1,994 million); gross profit was approximately HK\$420.7 million, representing an increase of approximately 6.6% from previous corresponding period (1H2012: approximately HK\$394.6 million). Profit attributable to owners of the Company for the reporting period amounted to approximately HK\$140.3 million, which included share option expenses of approximately HK\$1.0 million, net gain on fair value change of derivative financial





instruments of approximately HK\$9.5 million and net gain on fair value change of restricted bank deposits of approximately HK\$1.4 million. Profit from normal operations for the six months ended 30 September 2013 after adjusting the above-mentioned non-operating gains and losses was approximately HK\$131.2 million, representing a year-on-year increase of approximately 14.7% (1H2012: approximately HK\$114.4 million). Basic earnings per share were HK8.5 cents (1H2012: HK5.5 cents).

Textile Business

Production and sales of knitted fabric and dyed yarn are the Group's principal operations, accounted for approximately 70% of the Group's consolidated revenue for the reporting period; the remaining of approximately 22% and 8% were from the garment business and resin business respectively.

During the reporting period, the Group's sales growth of the knitted fabric and dyed yarn business was mainly driven by the increased orders exported to the United States (the "US"), while the domestic markets remained soft. The sales volume of the knitted fabric and dyed yarn recorded an approximately 20% year-on-year growth, whereas the average selling price stayed steady given that the prices of major raw materials (cotton and yarn) had been stabilised since late 2012. For the six months ended 30 September 2013, the Group's production facilities had been operating in nearly full capacity to accommodate the recovered orders. As a result, the production efficiency had been further improved under the economies of scale, thus achieving a margin enhancement for the textile business.

Garment Business

For the six months ended 30 September 2013, revenue generated from the Group's garment arm, Ford Glory Group Holdings Limited, decreased by approximately 6.7% on a year-on-year basis to approximately HK\$549.9 million (1H2012: approximately HK\$589.2 million). The Group's sourcing business grew by approximately 6.1% year-on-year due to the development of some new major branded customers. Such initiative has called for higher quality requirement and shipment punctuality that can be better controlled and delivered by the Group's in-house production bases. On the other hand, revenue contributed from garment manufacturing business decreased by approximately 8.1% mainly due to the slowdown in orders from the PRC domestic market. Because of the Group's ability to provide quality products with competitive prices in different production bases, the Group has successfully captured the recovering orders from the US and Canada during the period. Garments manufactured in Jordan enjoy duty free export to the US whereas garments manufactured in Cambodia enjoy preferential tariff to Europe and Canada. Such competitive advantages allowed the Group to grasp greater market shares and became a strategic partner of some major brand names in North America and Europe. With the Group's flexibility and capability to allocate orders between different production bases, the Group is capable to serve its customers with competitive price, fast lead time and sophisticated workmanship.





Resin Business

The new resin operation is situated in the Group's flagship production base in Xinhui, the PRC, and it commenced production in April 2013 with an annual capacity of 100,000 tons. Following the trial production starting in March 2013, the resin business picked up a satisfactory amount of orders. Though operating at only half of its capacity, the resin business had already contributed decent revenue to the Group in the early operational phase. During this ramp-up period, the resin arm has been working on the product customisation for different customers from the local artificial marble manufacturing market, as to prepare for larger-sized orders in the near future. In view of the certain and positive order book for the second half of the fiscal year, the resin arm is expected to lift up the utilisation to approximately 80% of the capacity and make a bigger contribution in terms of profitability to the Group.

PROSPECTS

The economy is facing a complex and uncertain domestic and international environment. In October 2013, the National Bureau of Statistics of the PRC announced that the gross domestic product ("GDP") grew by approximately 7.7% in the first nine months of 2013, mainly pulled by the approximately 7.8% GDP growth year-on-year in the third quarter which reflected the recovery in China's industrial growth that started in July. However, the General Administration of Customs announced that the PRC's exports had fallen approximately 0.3% in September 2013 when compared to corresponding period last year and ended two consecutive months of growth.

The global and domestic recovery is soft and fragile, and the textile and garment industry is no exception and is expected to undergo another round of consolidation. Only those well-established manufacturers with reputation of quality and service, stable clientele and certain order book and significant cost advantages, would be able to weather the ups and downs. The Group has been prepared to grasp every market opportunity and is rewarded with a positive and assured order book toward the first quarter in 2014 from its existing and new customers in the textile and garment business. To cope with the growth, the Group has already expanded the capacity of knitted fabric by approximately 20% in November 2013. Furthermore, the Group is also expanding the garment capacity in Jordan and Cambodia in the second half to support the organic growth of its customers in the US and Canada.

By fully utilising the unused space and the existing chemical licenses of our flagship production site in Xinhui, the PRC, the resin business has already reached a breakeven point in only six months after launching. Further improvement in the utilisation will be well-timed in the second half of the fiscal year especially in view of the securing of a number of bulk purchase orders, and thus the Group is positive that the resin business will make a significant contribution to the Group.

The Group remains prudent and optimistic to its business growth and outlook. The Board is confident that the expanded production capability and timely market response will sustain the Group's growth momentum, thus ensuring the healthy development of its business in the long run.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2013, the Group had total assets of approximately HK\$8,677 million (31 March 2013: HK\$8,556 million) which were financed by current liabilities of approximately HK\$2,711 million (31 March 2013: HK\$2,534 million), long term liabilities of approximately HK\$908 million (31 March 2013: HK\$1,111 million) and shareholders' equity of approximately HK\$4,798 million (31 March 2013: HK\$4,662 million). The current ratio was approximately 2.0 (31 March 2013: 2.1) 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 19.6% (31 March 2013: 22.0%). All of the Group's borrowings were at floating rate basis.

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

Foreign Exchange and Interest Rate Risks

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

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

Capital Expenditure

During the period, the Group invested approximately HK\$130 million on additions to property, plant and equipment.

As at 30 September 2013, the Group had capital commitments of approximately HK\$36 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 2013, certain property, plant and equipment, prepaid lease payments and investment property of the Group with net book value of approximately HK\$408 million (31 March 2013: approximately HK\$413 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 30 September 2013, the total number of employees of the Group were approximately 1,230 in Cambodia, approximately 1,230 in Jordan, approximately 890 in Indonesia, approximately 5,950 in the PRC and approximately 160 in Hong Kong, Macau, and other places. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

INTERIM DIVIDEND

The board (the “Board”) of Directors has resolved to declare an interim dividend of HK3.0 cents (2012: HK2.0 cents) per share of the Company (the “Share”) for the period ended 30 September 2013. The interim dividend will be payable on or about 6 March 2014 to Shareholders whose names appear on the register of members of the Company on 30 December 2013 with a scrip alternative to offer the right to Shareholders to elect to receive such interim dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the period ended 30 September 2013, the register of members of the Company will be closed from 27 December 2013 to 30 December 2013 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for the interim dividend for the period ended 30 September 2013, all share transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 December 2013.

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

As at 30 September 2013, 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	373,986,000 Shares (L) (Note 2)	–	22.51% (Note 28)
	The Company	Beneficial owner	–	1,200,000 Shares (L) (Note 4)	0.07%
	Victory City Company Limited (Note 26)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 26)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
	FGG (Note 26)	Founder of a trust	3,512,080 ordinary shares of HK\$0.01 each (L) (Note 2)	–	0.79%
	FGG (Note 26)	Beneficial owner	277,360 ordinary shares of HK\$0.01 each (L)	–	0.06%
	Chen Tien Tui	The Company	Founder of a trust	373,986,000 Shares (L) (Note 3)	–
The Company		Beneficial owner	1,968,000 Shares (L)	–	0.12%
The Company		Beneficial owner	–	1,200,000 Shares (L) (Note 4)	0.07%
Victory City Company Limited (Note 26)		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
	Victory City Overseas Limited (Note 26)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
	FGG (Note 26)	Founder of a trust	3,512,080 ordinary shares of HK\$0.01 each (L) (Note 3)	–	0.79%
	FGG (Note 26)	Beneficial owner	309,000 ordinary shares of HK\$0.01 each (L)	–	0.07%
Choi Lin Hung	The Company	Beneficial owner	8,198,000 Shares (L)	–	0.49%
	The Company	Beneficial owner	–	12,000,000 Shares (L) (Note 5)	0.72%
	Victory City Overseas Limited (Note 26)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	–	21.2%
	FGG (Note 26)	Interest of controlled corporation	317,552,000 ordinary shares of HK\$0.01 each (L) (Note 6)	–	71.09%
	Sure Strategy Limited (Note 26)	Interest of controlled corporation	49 ordinary shares of US\$1.00 each (L) (Note 7)	–	49%
	Ford Glory Holdings Limited (Note 26)	Interest of controlled corporation	100 shares of US\$1.00 each (L) (Note 8)	–	100%
	Brilliant Fashion Inc. (Note 26)	Interest of controlled corporation	100 common shares of no par value (L) (Note 13)	–	100%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Ford Glory International Limited (Note 26)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 14)	–	100%
	Glory Time Limited (Note 26)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 15)	–	70%
	Mayer Apparel Limited (Note 26)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 12)	–	51%
	PT. Victory Apparel Semarang (Note 26)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) (Note 11)	–	100%
	Surefaith Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	–	100%
	Top Star Limited (Note 26)	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) (Note 14)	–	100%
	Top Value Inc. (Note 26)	Interest of controlled corporation	200 common shares of no par value (L) (Note 13)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 26)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 16)	–	100%
	Victory Apparel (Jordan) Manufacturing Company Limited (Note 26)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 10)	–	100%

Other Disclosures

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Wealth Choice Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	–	100%
	福之源貿易(上海)有限公司 (Notes 24 and 26)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 9)	–	100%
	Gojifashion Inc. (Note 27)	Interest of controlled corporation	100 common shares of no par value (L) (Note 13)	–	50%
	Happy Noble Holdings Limited (Note 26)	Interest of controlled corporation	70 ordinary shares of US\$1.00 each (L) (Note 14)	–	70%
	Sky Winner Investment Limited (Note 26)	Interest of controlled corporation	100 ordinary shares of HK\$1.00 each (L) (Note 17)	–	100%
	福源創業信息諮詢服務(深圳)有限公司 (Notes 25 and 26)	Interest of controlled corporation	Registered capital of HK\$3,000,000 (L) (Note 9)	–	100%
	Rocwide Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	–	100%
	江門冠暉制衣有限公司 (Note 26)	Interest of controlled corporation	Registered capital of HK\$31,260,000 (L) (Note 18)	–	100%
	One Sino Limited (Note 26)	Interest of controlled corporation	100 ordinary shares of US\$1.00 each (L) (Note 14)	–	100%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Ford Glory (Cambodia) Manufacturing Limited (Note 26)	Interest of controlled corporation	Registered capital of US\$1,000,000 (L) (Note 19)	–	100%
	藝田貿易(上海)有限公司 (Note 26)	Interest of controlled corporation	Registered capital of HK\$5,000,000 (L) (Note 20)	–	100%
	Global Trend Investments Limited (Note 26)	Interest of controlled corporation	1,100,000 ordinary shares of US\$1.00 each (L) (Note 10)	–	100%
	Jerash Garments and Fashions Manufacturing Company Limited (Note 26)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 21)	–	100%
	Talent Partner Holdings Limited (Note 26)	Interest of controlled corporation	51 ordinary shares of US\$1.00 each (L) (Note 22)	–	51%
	Green Expert Global Limited (Note 26)	Interest of controlled corporation	1 ordinary share of US\$1.00 each (L) (Note 23)	–	100%
	MT Studio Inc. (Note 26)	Interest of controlled corporation	1 common stock of no par value (L) (Note 23)	–	100%
	Ford Glory Inc. (Note 26)	Interest of controlled corporation	1 ordinary share of US\$0.01 each (L) (Note 23)	–	100%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Major Time Limited (Note 26)	Interest of controlled corporation	1 ordinary share of HK\$1.00 each (L) (Note 23)	–	100%
	Just Perfect Holdings Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	–	100%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	5,000,000 Shares (L) (Note 5)	0.30%
Phaisalakani Vichai	The Company	Beneficial owner	512,000 Shares (L)	–	0.03%

Notes:

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

10. These shares was beneficially owned by Wealth Choice Limited which is a wholly-owned subsidiary of Ford Glory Holdings Limited.
11. These shares was beneficially owned by Surefaith Limited which is a wholly-owned subsidiary of Ford Glory Holdings Limited.
12. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.
13. These common shares were beneficially owned by Ford Glory Holdings Limited.
14. These shares were beneficially owned by Ford Glory Holdings Limited.
15. Glory Time Limited is 70% owned by Ford Glory Holdings Limited.
16. This quota capital was beneficially owned by Ford Glory Holdings Limited.
17. These shares were held by Happy Noble Holdings Limited.
18. The registered capital was beneficially owned as to 40% by Ford Glory Holdings Limited and as to 60% by Rocwide Limited.
19. This registered capital was held by One Sino Limited.
20. This registered capital was beneficially owned by Sky Winner Investment Limited.
21. These shares were held by Global Trend Investments Limited.
22. Talent Partner Holdings Limited is 51% owned by Ford Glory Holdings Limited.
23. This common stock or ordinary share, as the case may be, was beneficially owned by Talent Partner Holdings Limited.
24. Ford Glory Trading (Shanghai) Limited is the unofficial English translation of 福之源貿易(上海)有限公司.
25. Ford Glory (Shenzhen) International Limited is the unofficial English translation of 福源創業信息諮詢服務(深圳)有限公司.
26. These companies are subsidiaries of the Company.
27. 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.
28. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately hold over 30% of the voting share capital of the Company, which complied under the condition of syndicated loan.

Save as disclosed above in this report, as at 30 September 2013, 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.

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

As at 30 September 2013, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable

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

Name of person/entity	Number of Shares (Note 1)	Capacity	Approximate % of interest
Pearl Garden Pacific Limited	373,986,000 (L)	Beneficial owner (Note 2)	22.51%
Cornice Worldwide Limited	373,986,000 (L)	Interest of controlled corporation (Note 2)	22.51%
Madian Star Limited	373,986,000 (L)	Beneficial owner (Note 3)	22.51%
Yonice Limited	373,986,000 (L)	Interest of controlled corporation (Note 3)	22.51%
Fiducia Suisse SA	747,972,000 (L)	Trustee (Notes 2 & 3)	45.02%
David Henry Christopher Hill	747,972,000 (L)	Interest of controlled corporation (Note 6)	45.02%
Rebecca Ann Hill	747,972,000 (L)	Interest of spouse (Note 7)	45.02%
Ho Yuen Mui, Shirley	375,186,000 (L)	Interest of spouse (Note 4)	22.58%
Or Kwai Ying	377,154,000 (L)	Interest of spouse (Note 5)	22.70%
Templeton Asset Management Limited	247,559,314 (L)	Investment manager	16.00%
Delta Lloyd Asset Management NV	98,397,313 (L)	Investment manager	6.01%

Notes:

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

Save as disclosed above, so far as is known to the Directors, as at 30 September 2013, 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 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\$)	Exercisable period	Outstanding at 1 April 2013	Number of share options				Outstanding at 30 September 2013
					Granted	Exercised	Cancelled	Lapsed	
Directors (Note 1)	2/4/2012	0.782	2/4/2012 to 1/4/2017	19,400,000	-	-	-	-	19,400,000
Other employees (Note 2)	2/4/2012	0.782	2/4/2012 to 1/4/2017	100,150,000	-	(10,750,000)	-	(50,000)	89,350,000
				119,550,000	-	(10,750,000)	-	(50,000)	108,750,000

Notes:

1. 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.
2. Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

A subsidiary of the Group, FGG conditionally adopted the FGG Share Option Scheme which became effective upon the shares of FGG were listed on the Stock Exchange on 5 October 2010. The purpose of the FGG Share Option Scheme is to provide incentives and rewards to eligible participants for their contributions to FGG.

The following table discloses movements in the share options of FGG during the six months ended 30 September 2013:

Category	Date of grant	Vesting period	Exercise price per share of FGG HK\$	Exercisable period	Number of the share options of FGG					Outstanding at 30 September 2013
					Outstanding at 1 April 2013	Granted	Exercised	Cancelled	Lapsed	
Directors										
Mr. Lau Kwok Wa, Stanley	2/6/2010	5/10/2010 to 4/10/2012	0.6	5/10/2012 to 31/5/2020	5,350,000	-	-	-	-	5,350,000
Mr. Ng Tze On	2/6/2010	5/10/2010 to 4/10/2012	0.6	5/10/2012 to 31/5/2020	5,350,000	-	-	-	-	5,350,000
Employees										
Mr. Ng Tsze Lun (Note i)	2/6/2010	5/10/2010 to 4/10/2012	0.6	5/10/2012 to 31/5/2020	21,000,000	-	-	-	-	21,000,000
	27/4/2011	27/4/2011 to 26/4/2013	0.844	27/4/2013 to 26/4/2016	37,000,000	-	-	-	-	37,000,000
Other employees (Note ii)	2/6/2010	5/10/2010 to 4/10/2012	0.6	5/10/2012 to 31/5/2020	8,080,000	-	(6,670,000)	-	(100,000)	1,310,000
	27/4/2011	27/4/2011 to 26/4/2013	0.844	27/4/2013 to 26/4/2016	5,080,000	-	(1,902,000)	-	(100,000)	3,078,000
					81,860,000	-	(8,572,000)	-	(200,000)	73,088,000

Notes:

- i. The grant of the share options of FGG to Mr. Ng Tsze Lun, exceeded the individual limit as set out in note to Rule 17.03(4) of the Listing Rules, was approved by shareholders of each of the Company and FGG respectively in the special general meeting of each of the Company and FGG held on 27 April 2011.
- ii. Other employees include employees of FGG (other than the directors of FGG) working under employment contracts with FGG which are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

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

During the six months ended 30 September 2013, 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 2013 with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

The Company has adopted a code of conduct (the “Code of Conduct”) regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 September 2013.

AUDIT COMMITTEE

The Board has established an audit committee (“Committee”) with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The primary duties of the Committee are to review the Group’s financial reporting process, internal control system and the Group’s financial statements.

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

The Committee has reviewed the unaudited financial statements of the Group for the six months ended 30 September 2013 and is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

CHANGE IN INFORMATION OF DIRECTOR

Upon specific enquiry by the Company and following confirmations from the Directors, save as otherwise set out

in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Name of Director	Details of changes in Director's particulars subsequent to 2013 annual report
Mr. Phaisalakani Vichai (Andy Hung)	<p>Mr. Phaisalakani has been appointed as independent non-executive director of Radford Capital Investment Limited ("Radford") (Stock Code: 901), a company listed on the Main Board of the Stock Exchange, with effective from 1 November 2013. Mr. Phaisalakani has also been appointed as a member of the audit committee of Radford on the same date. Further, Mr. Phaisalakani will act as the senior consultant of Walker Group Holdings Limited (Stock Code: 1386), a company listed on the Main Board of the Stock Exchange, from 2 December 2013.</p> <p>Mr. Phaisalakani retired from the positions of executive director and chief financial officer of Willas-Array Electronics (Holdings) Limited, a company listed on the Singapore Stock Exchange, on 28 June 2013.</p>

By Order of the Board
Victory City International Holdings Limited

Li Ming Hung
Chairman

Hong Kong, 29 November 2013



**VICTORY CITY
INTERNATIONAL HOLDINGS LIMITED**

冠華國際控股有限公司

stock code 股份代號 : 539

www.victorycity.com.hk