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## VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 539)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

#### RESULTS

The directors (the “Directors”) of Victory City International Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2015. The interim results of the Group have been reviewed by the Company’s auditor in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim results of the Group have also been reviewed by the Company’s audit committee.

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

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015*

	<i>Note</i>	<b>Six months ended 30 September</b>	
		<b>2015</b>	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
Revenue	3	<b>2,696,797</b>	2,905,893
Cost of sales		<b>(2,192,031)</b>	(2,390,726)
Gross profit		<b>504,766</b>	515,167
Other income		<b>44,696</b>	20,564
Other gains and losses	4	<b>(64,213)</b>	(20,214)
Distribution and selling expenses		<b>(73,461)</b>	(70,135)
General and administrative expenses		<b>(181,617)</b>	(190,435)
Finance costs		<b>(61,070)</b>	(52,063)
Gain on disposal of subsidiaries	12(b)	–	227,674

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2015</b>	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Profit before taxation		<b>169,101</b>	430,558
Income tax expense	5	<b>(22,166)</b>	(25,784)
Profit for the period	6	<b>146,935</b>	404,774
Other comprehensive (expense) income:			
<i>Item that may be subsequently reclassified</i>			
<i>to profit or loss:</i>			
Fair value change of an available-for-sale investment		(57)	197
Exchange differences arising on translation of foreign operations		<b>(203,877)</b>	–
Reclassification adjustment of translation reserve upon disposal of subsidiaries		–	3
		<b>(203,934)</b>	200
<i>Item that will not be subsequently reclassified</i>			
<i>to profit or loss:</i>			
Fair value adjustment of investment properties reclassified from property, plant and equipment		<b>6,320</b>	14,541
Other comprehensive (expense) income for the period		<b>(197,614)</b>	14,741
Total comprehensive (expense) income for the period		<b>(50,679)</b>	419,515
Profit for the period attributable to:			
Owners of the Company		<b>142,069</b>	289,225
Non-controlling interests		<b>4,866</b>	115,549
		<b>146,935</b>	404,774
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		<b>(57,413)</b>	296,841
Non-controlling interests		<b>6,734</b>	122,674
		<b>(50,679)</b>	419,515
Earnings per share	8		
Basic		<b>HK7.6 cents</b>	HK16.5 cents
Diluted		<b>HK7.4 cents</b>	HK16.3 cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2015**

	<i>Note</i>	<b>30 September 2015 HK\$'000 (unaudited)</b>	31 March 2015 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	3,142,520	3,225,266
Prepaid lease payments	9	183,266	201,116
Investment properties	9	165,988	54,800
Goodwill		6,614	6,614
Restricted bank deposits		–	94,396
Deferred tax assets		4,413	2,524
Deposit paid for acquisition of property, plant and equipment		17,307	18,828
Other assets		26,040	26,040
		<u>3,546,148</u>	<u>3,629,584</u>
<b>Current assets</b>			
Inventories		2,591,271	2,603,275
Trade and bills receivables	10	1,695,387	1,610,126
Deposits, prepayments and other receivables		233,846	213,701
Prepaid lease payments	9	4,497	4,891
Derivative financial instruments		–	643
Available-for-sale investment		1,697	1,754
Taxation recoverable		2,169	1,690
Bank balances and cash		2,324,462	2,003,390
		<u>6,853,329</u>	<u>6,439,470</u>
<b>Current liabilities</b>			
Trade and bills payables	11	460,070	358,248
Other payables and accruals		133,352	110,653
Dividend payable		130,715	202
Taxation payable		88,323	78,869
Derivative financial instruments		168,705	98,266
Bank borrowings – amount due within one year		2,442,805	2,247,489
		<u>3,423,970</u>	<u>2,893,727</u>
<b>Net current assets</b>		<u>3,429,359</u>	<u>3,545,743</u>
<b>Total assets less current liabilities</b>		<u><u>6,975,507</u></u>	<u><u>7,175,327</u></u>

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

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

## 3. SEGMENT INFORMATION

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

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

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

**Six months ended 30 September 2015**

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

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

**Six months ended 30 September 2014**

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

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

#### 4. OTHER GAINS AND LOSSES

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

#### 5. INCOME TAX EXPENSE

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

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

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

Capital gain tax was calculated at 10% (as stipulated in the PRC tax rules and regulations) of the difference between the consideration from the transfer of equity interests in certain subsidiaries of the Company established in the PRC (Note 12(a)) and the cost of equity rights in the PRC subsidiaries at the date of completion of the Acquisition (as defined in Note 12).

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**  
**2015**                      2014  
*HK\$'000*                      *HK\$'000*

Profit for the period has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	<b>129,268</b>	124,260
Release of prepaid lease payments	<b>2,070</b>	2,196
Interest income	<b>(29,159)</b>	(14,000)
Rental income from investment properties and property, plant and equipment	<b>(6,795)</b>	(723)
	<b><u>                    </u></b>	<b><u>                    </u></b>

## 7. DISTRIBUTION

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

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

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

**Six months ended**  
**30 September**  
**2015**                      2014  
*HK\$'000*                      *HK\$'000*

### Earnings

Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<b>142,069</b>	289,225
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	—	(212)
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	<b><u>142,069</u></b>	<b><u>289,013</u></b>

	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,870,025	1,748,683
Effect of dilutive potential ordinary shares: Share options of the Company	<u>40,856</u>	<u>27,953</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>1,910,881</u></u>	<u><u>1,776,636</u></u>

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

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

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

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

## 10. TRADE AND BILLS RECEIVABLES

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

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

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

## 11. 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 2015 HK\$'000</b>	31 March 2015 HK\$'000
0–60 days	277,083	251,461
61–90 days	120,775	53,830
Over 90 days	62,212	52,957
	<u>460,070</u>	<u>358,248</u>

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

## 12. ACQUISITION/DISPOSAL OF INTERESTS IN SUBSIDIARIES

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

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

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

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

### (a) Acquisition of additional interests in subsidiaries

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

(b) **Disposal of subsidiaries**

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

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

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

## **INTERIM DIVIDEND**

The board of Directors has resolved to declare an interim dividend of HK4.0 cents (2014: HK5.0 cents) per share of the Company (the “Share”) for the six months ended 30 September 2015. The interim dividend will be payable on or about 11 March 2016 to the Shareholders whose names appear on the register of members of the Company on 30 December 2015 with a scrip alternative to offer the right to the Shareholders to elect to receive such interim dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash.

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

## **BUSINESS REVIEW**

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

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

### **Textile Business**

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

During the reporting period, cotton price recorded a downward trend as compared with the previous years, which adversely affected the pricing of the Group’s textile products by approximately 5%. However, the order book and utilisation of the Group’s textile production site in the PRC sustained

at a high level and turned into a growth in production output, which counterweighted the product price adjustment. As a result, the revenue of the textile business dropped slightly by approximately 4.1% year-on-year to approximately HK\$2,209 million during the first half of 2015/16.

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

### **Garment Business**

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

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

The Group's four garment production sites are strategically located in the PRC, Indonesia, Cambodia and Jordan. Over the years, the Group has implemented an effective order allocation system to match orders with the distinct market dynamics and government policies in these four different countries so as to maximise their respective unique advantages. Noticing the rising labour costs in the PRC, the Group has devoted its onshore production site for selective high-margin orders, research and development works, and sample production. In regard to the offshore production sites, the Group enjoys various competitive advantages such as relatively low labour costs, favourable taxation policies and export duty privileges in those countries. The Group benefitted notably from its production base in Jordan by taking advantage of its duty free export treatment to the US. This allowed the Group to have a substantial pricing advantage over peers from other countries when obtaining the recovering orders from the US during the reporting period.

### **Major Movements**

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

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

## PROSPECTS

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

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

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

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

## FINANCIAL REVIEW

### Liquidity and Financial Resources

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

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

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

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

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

### **Capital Expenditure**

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

As at 30 September 2015, the Group had capital commitments of approximately HK\$17.9 million in respect of acquisition of new machinery and construction of new factory plants, which are financed by long-term bank borrowings.

### **Charges on Assets**

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

### **Employee Information**

As at 30 September 2015, the total number of employees of the Group was approximately 1,690 in Cambodia, approximately 1,900 in Jordan, approximately 1,300 in Indonesia, approximately 5,350 in the PRC and approximately 130 in Hong Kong, Macau and other places. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

## **CLOSURE OF REGISTER OF MEMBERS**

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

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

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

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

The Company had complied throughout the six months ended 30 September 2015 with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

The Company has adopted a code of conduct (the "Code of Conduct") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 September 2015.

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

Hong Kong, 27 November 2015

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

\* *for identification purposes only*