



**2020/21**  
INTERIM REPORT  
中期報告



**VICTORY CITY INTERNATIONAL  
HOLDINGS LIMITED**

冠華國際控股有限公司

stock code 股份代號 : 539



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### **Executive Directors**

Li Ming Hung (Chairman)  
Chen Tien Tui (Chief Executive Officer)  
Lee Yuen Chiu Andy  
Choi Lin Hung (resigned on 9 November 2020)

#### **Independent Non-executive Directors**

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

### COMPANY SECRETARY

Lee Chung Shing

### LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners

### AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

### MAJOR BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Chong Hing Bank Limited  
China Construction Bank (Jiangmen Xinhui Sub-branch)  
Bank of China (Jiangmen Xinhui Sub-branch)  
DBS Bank (Hong Kong) Limited

### PRINCIPAL SHARE REGISTRAR

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

### BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

### COMPANY WEBSITE

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

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

For the six months ended 30 September 2020

	Note	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	<b>2,087,022</b>	2,571,603
Cost of sales		<b>(1,754,104)</b>	(2,110,554)
Gross profit		<b>332,918</b>	461,049
Other income		<b>30,117</b>	62,135
Other gains and losses	4	<b>358</b>	92,188
Impairment loss on trade receivables under expected credit loss model		<b>(8,981)</b>	—
Distribution and selling expenses		<b>(45,461)</b>	(62,428)
General and administrative expenses		<b>(150,756)</b>	(207,338)
Finance costs		<b>(84,943)</b>	(122,955)
Profit before taxation		<b>73,252</b>	222,651
Income tax expense	5	<b>(10,975)</b>	(17,442)
Profit for the period	6	<b>62,277</b>	205,209
Other comprehensive income (expense):			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>259,443</b>	(503,127)
Other comprehensive income (expense) for the period		<b>259,443</b>	(503,127)
Total comprehensive income (expense) for the period		<b>321,720</b>	(297,918)

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

For the six months ended 30 September 2020

	Note	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		<b>63,852</b>	204,577
Non-controlling interests		<b>(1,575)</b>	632
		<b>62,277</b>	205,209
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		<b>322,772</b>	(296,511)
Non-controlling interests		<b>(1,052)</b>	(1,407)
		<b>321,720</b>	(297,918)
Earnings per share	8		(restated)
Basic		<b>HK5.3 cents</b>	HK26.3 cents
Diluted		<b>HK5.0 cents</b>	HK18.5 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Note	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	5,454,362	4,825,777
Right-of-use assets	9	46,186	44,909
Investment properties	9	197,459	204,800
Financial assets at fair value through profit or loss — life insurance policies	10	126,920	125,685
Deferred tax assets	11	8,460	10,271
Deposit paid for acquisition of property, plant and equipment		—	13,721
		<b>5,833,387</b>	5,225,163
<b>Current assets</b>			
Inventories		3,453,053	3,260,479
Trade and bills receivables	12	1,901,058	1,765,993
Deposits, prepayments and other receivables		176,561	152,839
Taxation recoverable		369	273
Financial assets at fair value through profit or loss — structured bank deposits	10	358,340	503,534
Bank balances and cash		545,568	1,290,531
		<b>6,434,949</b>	6,973,649
Assets classified as held for sale	15	217,036	212,213
		<b>6,651,985</b>	7,185,862

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Note	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
<b>Current liabilities</b>			
Trade and bills payables	16	415,225	441,514
Other payables and accruals		204,267	189,544
Contract liabilities		303	20,701
Dividend payable		189	189
Taxation payable		140,641	143,100
Derivative financial instruments	14	910	1,190
Lease liabilities		2,521	2,135
Bank overdrafts		84,723	94,250
Bank borrowings — amount due within one year	17	2,478,197	2,478,000
Convertible bonds	18	516,626	505,377
		<b>3,843,602</b>	3,876,000
<b>Net current assets</b>		<b>2,808,383</b>	3,309,862
<b>Total assets less current liabilities</b>		<b>8,641,770</b>	8,535,025

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Note	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
<b>Capital and reserves</b>			
Share capital	19	233,074	77,691
Reserves		6,884,571	6,502,415
Equity attributable to owners of the Company		7,117,645	6,580,106
Non-controlling interests		16,857	17,909
<b>Total equity</b>		<b>7,134,502</b>	6,598,015
<b>Non-current liabilities</b>			
Lease liabilities		1,340	212
Bank borrowings — amount due after one year	17	1,446,282	1,875,545
Deferred tax liabilities	11	59,646	61,253
		1,507,268	1,937,010
		8,641,770	8,535,025



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company												Attributable to non-controlling interests	Total
	Share Capital	Share premium	Special reserve	Convertible bonds equity reserve	Capital redemption reserve	Capital reserve	Translation reserve	Share option reserve	Investments revaluation reserve	Property revaluation reserve	Accumulated profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019 (audited)	51,794	3,010,545	1,961	37,085	39	76,229	111,739	21,246	–	30,752	3,437,905	6,779,295	25,472	6,804,767
Profit for the period	–	–	–	–	–	–	–	–	–	–	204,577	204,577	632	205,209
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(501,088)	–	–	–	–	(501,088)	(2,039)	(503,127)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(501,088)	–	–	–	204,577	(296,511)	(1,407)	(297,918)
Modification of convertible bonds	–	–	–	(1,695)	–	–	–	–	–	–	1,695	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	15,133	–	–	–	15,133	–	15,133
Rights issue (Note 19)	25,897	226,047	–	–	–	–	–	–	–	–	–	251,944	–	251,944
Recognition of equity component of a convertible bond (Note 18)	–	–	–	3,698	–	–	–	–	–	–	–	3,698	–	3,698
At 30 September 2019 (unaudited)	77,691	3,236,592	1,961	39,088	39	76,229	(389,349)	36,379	–	30,752	3,644,177	6,753,559	24,065	6,777,624
At 1 April 2020 (audited)	77,691	3,236,592	1,961	45,110	39	76,229	(537,655)	36,379	–	30,752	3,613,008	6,580,106	17,909	6,598,015
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	–	63,852	63,852	(1,575)	62,277
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	258,920	–	–	–	–	258,920	523	259,443
Total comprehensive income (expense) for the period	–	–	–	–	–	–	258,920	–	–	–	63,852	322,772	(1,052)	321,720
Rights issue (Note 19)	155,383	59,384	–	–	–	–	–	–	–	–	–	214,767	–	214,767
Release of lapsed share options	–	–	–	–	–	–	–	(1,047)	–	–	1,047	–	–	–
At 30 September 2020 (unaudited)	233,074	3,295,976	1,961	45,110	39	76,229	(278,735)	35,332	–	30,752	3,677,907	7,117,645	16,857	7,134,502

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Note	Six months ended	
		30 September	2019
		2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>307,912</b>	487,672
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(684,772)	(474,946)
Proceeds from disposal of financial assets at fair value through profit or loss		160,674	—
Proceeds from disposal of property, plant and equipment		12,575	60
Deposit paid for acquisition of property, plant and equipment		—	(495)
Disposal of right-of-use assets		—	138,728
Interest received		—	41,663
Deposit received from disposal of an investment property		—	6,300
Deposit received from disposal of subsidiaries		—	780
<b>NET CASH USED IN INVESTMENT ACTIVITIES</b>		<b>(511,523)</b>	(287,910)
<b>FINANCE ACTIVITIES</b>			
Net amount of import loans, export loans, trust receipts loans and term loans repaid		(472,587)	(637,910)
Repayment of bank loans	17	(351,342)	(412,604)
Principal portion of lease payments		(1,944)	(3,684)
Repayment of mortgage loans		(12,600)	(364)
Interest portion of lease payments		(42)	(177)
New bank loans raised	17	78,000	252,342
Proceeds from rights issue		214,767	251,944
Proceeds from issue of convertible bonds	18	—	64,000
New mortgage loans raised		—	42,250
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(545,748)</b>	(444,203)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Note	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(749,359)</b>	(244,441)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>1,196,281</b>	2,454,951
Effect of foreign exchange rate changes		<b>13,923</b>	(132,134)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash</b>		<b>460,845</b>	2,078,376
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Bank balances and cash		<b>545,568</b>	2,078,120
Assets of disposal group classified as held for sale	15	—	256
Bank overdrafts		<b>(84,723)</b>	—
		<b>460,845</b>	2,078,376

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 1. BASIS OF PREPARATION

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

## 1A. STATEMENT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The trade war between the People’s Republic of China (the “PRC”) and the United States (the “US”), the outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment which would directly and indirectly affect the operations of the Victory City International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”). Combining with the effect of reduction of worldwide market demand and deferred orders from its customers for knitted fabric and dyed yarn and garment products due to the deterioration of the macroeconomic environment, the sales volumes of knitted fabric and dyed yarn and garment products decreased. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue as disclosed in Note 3.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standard (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of Amendments to Reference to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

#### Disaggregation of revenue

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Types of goods or service</b>		
Production and sale of knitted fabric and dyed yarn	<b>2,031,791</b>	2,430,217
Production and sale of garment products	<b>55,231</b>	141,386
	<b>2,087,022</b>	2,571,603
<b>Timing of revenue recognition</b>		
At a point in time	<b>2,087,022</b>	2,571,603

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

#### **Performance obligations for contracts with customers**

##### *Production and sale of knitted fabric, dyed yarn and garment products*

The Group produces and sells knitted fabric, dyed yarn and garment products directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the location specified by the customers and titles are passed to the customers. The normal credit term is 30 to 120 days upon delivery.

For production and sale of knitted fabric, dyed yarn and garment products, the performance obligation is expected to be completed within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

#### **Performance obligations for contracts with customers** *(continued)*

#### *Production and sale of knitted fabric, dyed yarn and garment products (continued)*

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

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Six months ended 30 September 2020</b>					
REVENUE					
External sales	2,031,791	55,231	2,087,022	—	2,087,022
Inter-segment sales	1,401	—	1,401	(1,401)	—
Segment revenue	2,033,192	55,231	2,088,423	(1,401)	2,087,022
RESULTS					
Segment results	142,637	(8,825)	133,812	—	133,812
Unallocated corporate income					20,854
Unallocated other gains and losses					7,446
Unallocated corporate expenses					(3,917)
Finance costs					(84,943)
Profit before taxation					73,252

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

#### **Performance obligations for contracts with customers** *(continued)*

#### *Production and sale of knitted fabric, dyed yarn and garment products (continued)*

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended 30 September 2019					
<b>REVENUE</b>					
External sales	2,430,217	141,386	2,571,603	—	2,571,603
Inter-segment sales	3,309	—	3,309	(3,309)	—
Segment revenue	2,433,526	141,386	2,574,912	(3,309)	2,571,603
<b>RESULTS</b>					
Segment results	223,124	(13,313)	209,811	—	209,811
Unallocated corporate income					53,488
Unallocated other gains and losses					101,484
Unallocated corporate expenses					(19,177)
Finance costs					(122,955)
Profit before taxation					222,651

Segment profit represents the profit earned by each segment without allocation of interest income, rental income, sundry income, impairment loss on property, plant and equipment, impairment loss on trade receivables under expected credit losses (“ECL”) model, net gain (loss) on disposal of property, plant and equipment, (loss) gain on fair value change of investment properties, net gain on fair value change of derivative financial instruments, gain on fair value change of financial assets at fair value through profit or loss (“FVTPL”), gain on disposal of right-of-use assets, gain on modification of convertible bonds, loss from litigation claims, share-based payment, central administration costs and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Net gain (loss) on disposal of property, plant and equipment	9,996	(187)
Gain on fair value change of financial assets at fair value through profit or loss	7,302	894
Net gain on fair value change of derivative financial instruments	126	47
Net foreign exchange loss	(7,088)	(6,149)
(Loss) gain on fair value change of investment properties	(9,725)	10,703
Gain on disposal of right-of-use assets (note i)	—	67,250
Gain on modification of convertible bonds (Note 18)	—	25,198
Impairment loss on property, plant and equipment (Note 15)	—	(3,147)
Loss from litigation claims (note ii)	—	(2,768)
Others	(253)	347
	<b>358</b>	92,188

notes:

- (i) On 3 July 2019, Nanjing Synergy Textiles Limited (“Nanjing Synergy”), a wholly-owned subsidiary of the Company, entered into an agreement with a limited liability company controlled by the Nanjing Government under which Nanjing Synergy agreed to surrender a piece of land in Jiangning District, Nanjing to the Nanjing Government with a consideration of RMB120,000,000 (equivalent to HK\$138,728,000).

For the six months ended 30 September 2019, Nanjing Synergy recognised gain on disposal of right-of-use assets as below:

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 4. OTHER GAINS AND LOSSES *(continued)*

notes: *(continued)*

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

During the year ended 31 March 2019, certain court hearings for the above legal actions taken by certain Lenders were held and the decisions were in favour of the Lenders. The subsidiary had negotiated with some of the Lenders for mutually agreed amounts of settlements. Taking into account of further legal advices, provision with an aggregate amount of HK\$46,124,000 was recognised in profit or loss for the year ended 31 March 2019, in which HK\$40,172,000 was related to the cases for which court decisions were issued in favour of the Lenders during the year, and the remaining HK\$5,952,000 were made for two cases which were still in the process of court hearing based on the opinion from a legal counsel at 31 March 2019.

During the six months ended 30 September 2019, court decisions were issued for the remaining two cases which were in favour of the Lenders, the Group recognised further losses of HK\$2,768,000 which was the interest on the claimed amount granted by the courts. During the year ended 31 March 2020, a reduction of HK\$923,000 on settlement was agreed with the Lenders after negotiation and loss from litigation claims of HK\$1,845,000 was recognised. The Directors consider that the chance of incurring further losses in relation to the above matter was remote as advised by its legal counsel.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	2,828	1,792
PRC Enterprise Income Tax ("EIT")	7,789	33,345
	10,617	35,137
Deferred tax (Note 11):		
Current interim period	358	(17,695)
	10,975	17,442

#### Hong Kong

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

#### PRC

Under the Law of the PRC on EIT and its Implementation Regulation, the tax rate of the PRC subsidiaries is 25% (except for the specified entities with their entitlement to a preferential EIT rate as mentioned below).

For the nine month period ended 31 December 2019, 江門市新會區冠華針織廠有限公司 was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise. The reduced EIT rate of 15% was adopted for the three months ended 31 March 2020 and the six months ended 30 September 2020 as the Directors are of the view that the entity would qualify as a High and New Technology Enterprise in the year 2020, which however is subject to renewal.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

#### **PRC** *(continued)*

For both periods, 江門市冠達化工科技有限公司 was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise. The preferential tax rate is applicable for three years until December 2020, as determined in accordance with relevant income tax rules and regulations in the PRC.

For the six months ended 30 September 2019, 江門市新會區冠華針織廠有限公司 and 江門市冠達化工科技有限公司 were entitled to a reduced EIT rate of 15% as they were qualified as High and New Technology Enterprises.

For the disposal of the rights-of-use assets as set out in Note 4(i), the Directors have considered whether the Group is subject to land appreciation tax ("LAT") and are of the view that there are certain arguments for the Group to qualify for exemption of such LAT. No LAT was provided for the six months ended 30 September 2019 as management was of the view that disposal would qualify for exemption for LAT and that approval from the relevant tax authority would be successfully obtained. As at 31 March 2020, after considering the current status of the communication with the relevant tax bureau, the Directors have resolved to make a provision for LAT of HK\$67,757,000 for this disposal.

#### **Macau**

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

#### **Other jurisdictions**

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 6. PROFIT FOR THE PERIOD

Profit for the period from continuing operations has been arrived at after charging (crediting) the following items:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	<b>180,521</b>	184,179
Depreciation of right-of-use assets	<b>2,475</b>	5,644
Share-based payment expenses, included in general and administrative expenses (Note 20)	—	15,133
Bank interest income	<b>(36,938)</b>	(41,663)
Rental income from investment properties and equipment (net of negligible outgoings)	<b>(11,256)</b>	(11,825)

### 7. DISTRIBUTION

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 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	
	2020 HK\$'000	2019 HK\$'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<b>63,852</b>	204,577
Effect of gain on modification of convertible bonds	—	(25,198)
Effect of dilutive potential ordinary shares: Interest on convertible bonds	<b>24,474</b>	19,980
Earnings for the purpose of diluted earnings per share	<b>88,326</b>	199,359

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 8. EARNINGS PER SHARE *(continued)*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>'000</b>	'000
		(restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,198,395</b>	779,134
Effect of dilutive potential ordinary shares:		
Convertible bonds	<b>585,605</b>	295,768
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,784,000</b>	1,074,902

The weighted average number of ordinary shares for the purposes of calculating basic earnings per share for the six months ended 30 September 2020 has been adjusted, taking into account the rights issue on 14 August 2020 which were completed during the current interim period. The corresponding weighted average number of ordinary shares for the six months ended 30 September 2019 has been retrospectively adjusted to reflect the said rights issue and taking into account the Share Consolidation (as defined in Note 19) on 24 June 2019 and the rights issue on 18 April 2019 which were completed during the six month ended 30 September 2019. Details of the Share Consolidation and rights issues of shares are set out in Note 19.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

During the current interim period, the Group had additions to property, plant and equipment of approximately HK\$698,493,000 (six months ended 30 September 2019: HK\$481,179,000).

During the current interim period, the Group disposed of certain land and building, furniture, fixture and equipment and leasehold improvement (six months ended 30 September 2019: plant and machinery) with an aggregate carrying amount of HK\$2,579,000 (six months ended 30 September 2019: HK\$247,000) for cash proceeds of HK\$12,575,000 (six months ended 30 September 2019: HK\$60,000), resulting in a gain on disposal of HK\$9,996,000 (six months ended 30 September 2019: loss on disposal of HK\$187,000).

The Group's investment properties at the end of the current interim period were valued by Roma Appraisals Limited, an independent firm of valuers not connected with the Group. The valuation was determined based on the market comparable approach or the income approach, where appropriate. Market comparable approach is based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property. The resulting decrease in fair value of investment properties of HK\$9,725,000 (six months ended 30 September 2019: increase in fair value of investment properties of HK\$10,703,000) has been recognised directly in profit or loss for the six months ended 30 September 2020.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

	At 30 September 2020 HK\$'000	At 31 March 2020 HK\$'000
<b>Current</b>		
Structured bank deposits (note i)	358,340	503,534
<b>Non-current</b>		
Life insurance policies (note ii)	126,920	125,685
	<b>485,260</b>	<b>629,219</b>

notes:

- (i) During the period ended 30 September 2020, the Group invested in structured deposits with banks in the PRC, with maturity of 161 days to 365 days. The banks have guaranteed 100% of the investment principal amount plus a minimum return ranging from 1.40% to 4.10% per annum, depending on the performance of its underlying investments, including foreign currencies, interest rate linked products or stock market index. The Directors consider the fair values of the financial products approximate to the acquisition cost at the end of the reporting period because of their short maturities.
- (ii) The Group entered into several life insurance policies with an insurance company to insure against the death and permanent disability of certain executive directors. Under the policies, the beneficiary and policy holder are the Company, Victory City Company Limited ("VC Company") and Global Honour Investments Limited, wholly owned subsidiaries of the Company, and the total insured sum is approximately US\$31,800,000 (equivalent to HK\$247,274,000). The contracts will be terminated on the occurrence of the earliest of the death of the key management personnel insured or other terms pursuant to the contracts. The Company has paid out the total insurance premium with an aggregate amount of approximately US\$15,327,000 (equivalent to approximately HK\$118,952,000) at the inception of the policies. The Group may request a surrender of the contracts at any time and receive cash back based on the cash value at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). A guaranteed interest rate of 4.25%–5.20% per annum applied to the contracts for the first year, followed by the discretionary portion with a minimum guaranteed interest rate of 2%–3% per annum for the following years until termination. The fair value is based on cash value quoted by the insurance company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 11. DEFERRED TAXATION

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

	Fair value adjustment on right-of-use assets and property, plant and equipment arising on business combinations HK\$'000	Accelerated tax depreciation HK\$'000	Dividend withholding tax HK\$'000	Fair value change on investment properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2019	50,066	1,268	41,999	2,016	(1,888)	93,461
Credit to profit or loss	(17,668)	(27)	—	—	—	(17,695)
Exchange differences	(2,315)	—	(2,336)	(113)	—	(4,764)
At 30 September 2019	30,083	1,241	39,663	1,903	(1,888)	71,002
At 1 April 2020	<b>19,137</b>	<b>1,784</b>	<b>38,451</b>	<b>1,881</b>	<b>(10,271)</b>	<b>50,982</b>
Credit to profit or loss	—	(1,191)	(406)	—	1,955	358
Exchange differences	(870)	—	817	43	(144)	(154)
<b>At 30 September 2020</b>	<b>18,267</b>	<b>593</b>	<b>38,862</b>	<b>1,924</b>	<b>(8,460)</b>	<b>51,186</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 11. DEFERRED TAXATION *(continued)*

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

	<b>30 September 2020 HK\$'000</b>	31 March 2020 HK\$'000
Deferred tax assets	<b>8,460</b>	10,271
Deferred tax liabilities	<b>(59,646)</b>	(61,253)
	<b>(51,186)</b>	(50,982)

At the end of the current interim period, the Group has unused tax losses of HK\$265,168,000 (31 March 2020: HK\$225,375,000) available for offsetting against future profits. No deferred tax asset on the unused tax losses has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$10,143,000, HK\$4,099,000, HK\$17,330,000 and HK\$7,275,000 (31 March 2020: HK\$9,966,000, HK\$6,108,000, HK\$16,945,000 will expire on 31 December 2020, 31 December 2023 and 31 December 2024, respectively) that will expire on 31 December 2020, 31 December 2023, 31 December 2024 and 31 December 2025, respectively. The remaining unused tax losses may be carried forward indefinitely.

At the end of the current interim period, the Group has other deductible temporary difference of HK\$390,000 (31 March 2020: HK\$264,000), HK\$7,919,000 (31 March 2020: HK\$10,058,000) and HK\$290,000 (31 March 2020: HK\$248,000) in respect of unrealised fair value losses on derivative financial instruments, allowance for credit losses and interest on lease liabilities respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 11. DEFERRED TAXATION *(continued)*

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. At the end of the current interim period, the Group has accumulated profits of the PRC subsidiaries amounting to HK\$1,052,581,000 (31 March 2020: HK\$1,024,964,000). Deferred tax liabilities has been recognised in respect of HK\$388,628,000 (31 March 2020: HK\$384,512,000) of such accumulated profits. No deferred tax liabilities has been recognised in respect of the remaining HK\$663,953,000 (31 March 2020: HK\$640,452,000) of such accumulated profits as it is the intention of the Directors to retain certain earnings within these subsidiaries.

### 12. TRADE AND BILLS RECEIVABLES

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

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

	<b>30 September 2020 HK\$'000</b>	31 March 2020 HK\$'000
0-60 days	<b>868,085</b>	773,217
61-90 days	<b>374,679</b>	453,572
91-120 days	<b>364,617</b>	279,299
Over 120 days	<b>293,677</b>	259,905
	<b>1,901,058</b>	1,765,993

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSSES MODEL

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

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

During the current interim period, additional impairment loss on trade receivable was recognised of HK\$8,981,000 based on application of a provision matrix approach to measurement of ECL.

### 14. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Liabilities	
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
Interest rate swap	910	1,190

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 March 2020, the Directors had resolved to terminate the yarn spinning operations in Nanjing that forms one of the component of the knitted fabric and dyed yarn segment and committed to a plan to sell the related non-current assets. Efforts to sell the mentioned assets have commenced and sales and purchase agreement on property, plant and equipment has been signed with a deposit of HK\$21,700,000 received during the year ended 31 March 2020. Additional deposit of HK\$20,345,000 received during the six months ended 30 September 2020. The disposal of non-current assets is expected to be completed within one year from end of the year ended 31 March 2020.

Accordingly, the mentioned assets have been classified as non-current assets held for sale and are presented separately in the condensed consolidated statement of financial position.

The major classes of non-current assets of the production line classified as held for sale are as follows:

	HK\$'000
Property, plant and equipment	150,481
Right-of-use assets	66,555
	217,036

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 16. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	30 September 2020 HK\$'000	31 March 2020 HK\$'000
0-60 days	169,841	237,489
61-90 days	65,491	74,226
91-120 days	31,124	54,326
Over 120 days	148,769	75,473
	<b>415,225</b>	441,514

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

### 17. BANK BORROWINGS

During the current interim period, excluding import loans, export loans, trust receipt loans, term loans, mortgage loans, bank borrowings from discounted bills and debt factored with recourse, the Group obtained new bank loans in the amount of HK\$78,000,000 (six months ended 30 September 2019: HK\$252,342,000) and repaid bank loans in the amount of HK\$351,342,000 (six months ended 30 September 2019: HK\$412,604,000). The bank borrowings of the Group carry interest at market rates ranging from 1.68% to 6.50% per annum (31 March 2020: 2.13% to 6.50% per annum).

### 18. CONVERTIBLE BONDS

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 18. CONVERTIBLE BONDS (continued)

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

On 23 October 2019, the Company issued convertible bonds to a third party with an aggregate principal sum of HK\$65,000,000 (the “CB 4”) at a total consideration of HK\$65,000,000.

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

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

  

	CB 2 HK\$'000	CB 3 HK\$'000	CB 4 HK\$'000	Total HK\$'000
At 1 April 2020	382,201	62,188	60,988	505,377
Interest payable	(10,000)	(1,600)	(1,625)	(13,225)
Interest accrued	18,867	2,517	3,090	24,474
<b>At 30 September 2020</b>	<b>391,068</b>	<b>63,105</b>	<b>62,453</b>	<b>516,626</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 19. SHARE CAPITAL

	note	Number of shares	Amount HK\$'000
<b>Authorised:</b>			
As at 1 April 2019 (HK\$0.01 each)		40,000,000,000	400,000
Share Consolidation	(ii)	(36,000,000,000)	—
<b>As at 30 September 2019, 1 April 2020 and 30 September 2020 (HK\$0.1 each)</b>		<b>4,000,000,000</b>	<b>400,000</b>
<b>Issued and fully paid:</b>			
As at 1 April 2019 (HK\$0.01 each)		5,179,413,207	51,794
Rights issue	(i)	2,589,706,603	25,897
Share Consolidation	(ii)	(6,992,207,829)	—
As at 31 March 2020 (HK\$0.1 each)		776,911,981	77,691
Rights issue	(iii)	1,553,823,962	155,383
<b>As at 30 September 2020 (HK\$0.1 each)</b>		<b>2,330,735,943</b>	<b>233,074</b>

notes:

- (i) On 19 February 2019, the Company announced a rights issue on the basis of one rights shares for every two existing shares held by shareholders of the Company (the "Shareholders") at a subscription price of HK\$0.098 per rights share. The rights issue was completed and 2,589,706,603 ordinary shares was issued on 18 April 2019. After deducting the expenses in connection with the right issue of HK\$1,847,000, the net proceeds from issuance were HK\$251,944,000. Details of the rights issue were disclosed in the Company's announcements dated 19 February 2019, 13 March 2019, 17 April 2019 and prospectus dated 26 March 2019.
- (ii) On 2 May 2019, the Company put forward to the Shareholders a proposal of share consolidation ("Share Consolidation") on the basis that every ten issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of HK\$0.1 each (the "Shares"). An ordinary resolution to approve the Share Consolidation was duly passed by the Shareholders by way of poll at the special general meeting of the Company held on 21 June 2019 where the Share Consolidation was effective on 24 June 2019.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 19. SHARE CAPITAL *(continued)*

notes: *(continued)*

- (iii) On 11 May 2020, the Company announced a rights issue (“Rights Issue”) on the basis of two rights shares for every one existing share held by Shareholders at a subscription price of HK\$0.14 per rights share. The Rights Issue was completed and 1,553,823,962 ordinary shares was issued on 14 August 2020. After deducting the expenses in connection with the Rights Issue of HK\$2,770,000, the net proceeds from issuance were HK\$214,767,000. Details of the Rights Issue were disclosed in the announcement of the Company dated 11 May 2020, the circular of the Company dated 18 June 2020 and the prospectus of the Company dated 23 July 2020.

### 20. SHARE-BASED PAYMENT TRANSACTIONS

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

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

	<b>Number of share options</b>
Outstanding as at 31 March 2019	282,987,000
Granted during the year	405,100,844
Adjustment due to rights issue and/or the share consolidation during the year	(619,182,845)
Lapsed during the year	(85,000)
Outstanding as at 1 April 2020	<b>68,819,999</b>
Addition after adjustment due to rights issue	<b>906,812</b>
Lapsed during the period	<b>(4,960,000)</b>
<b>Outstanding as at 30 September 2020</b>	<b>64,766,811</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 20. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

As a result of the Rights Issue, adjustments were made to the exercise price of and the number of the outstanding share options. Pursuant to the terms of the Scheme, the exercise prices and the number of shares falling to be allotted and issued in respect of the outstanding share options shall be adjusted (the “Share Options Adjustments”) in the following manner as a result of the Rights Issue with effective from Friday, 14 August 2020, being the date on which the fully-paid Rights Shares are allotted and issued:

Date of grant	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue		Increase in the number of shares that can be subscribed for upon exercise of the outstanding share options after the Share Options Adjustment
	Exercise price per share	Number of shares that can be subscribed for upon exercise of the outstanding share options	Adjusted exercise price per share	Adjusted number of shares that can be subscribed for upon exercise of the outstanding share options	
12 October 2016	HK\$3.72	25,555,423	HK\$3.668	25,918,310	362,887
18 April 2019	HK\$1.002	38,304,576	HK\$0.988	38,848,501	543,925
		63,859,999		64,766,811	906,812

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 21. CAPITAL AND OTHER COMMITMENTS

	<b>30 September 2020 HK\$'000</b>	31 March 2020 HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated statement of financial position	<b>21,937</b>	35,701
Commitments in respect of investment in an associate contacted but not provided in the condensed consolidated statement of financial position	<b>5,568</b>	—
	<b>27,505</b>	35,701

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 22. RELATED PARTY DISCLOSURES

- (i) During the current interim period, the Group made lease payment of HK\$600,000 (six months ended 30 September 2019: HK\$600,000) to Verdure Enterprises Limited (“Verdure”) and recognised interest on lease liabilities of HK\$11,000 (six months ended 30 September 2019: HK\$15,000). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

During the current interim period, the Group made lease payment of HK\$408,000 (six months ended 30 September 2019: HK\$408,000) to Takemain Development Limited (“Takemain”) and recognised interest on lease liabilities of HK\$5,000 (six months ended 30 September 2019: HK\$5,000). Takemain is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

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

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Short-term benefits	12,302	14,578
Share-based payments	—	1,495
Retirement benefit scheme contributions	259	262
	12,561	16,335

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

Financial instruments	Fair value as at 30 September 2020	Fair value hierarchy	Valuation technique and key inputs
Structured bank deposits	<b>Asset — HK\$352,273,000</b> (31 March 2020: Asset — HK\$503,534,000)	Level 2	Quoted price from banks, which makes reference to the performance of the underlying investments, including foreign currencies, interest rate linked products or stock market index
Interest rate swap classified as derivative financial instruments (Not designated for hedging)	<b>Liability — HK\$910,000</b> (31 March 2020: Liability — HK\$1,190,000)	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
Life insurance policies	<b>Asset — HK\$126,920,000</b> (31 March 2020: Asset — HK\$125,685,000)	Level 2	Cash value quoted by the insurance company, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged

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

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

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

*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Victory City International Holdings Limited (the “Company”) and its subsidiaries set out on pages 3 to 37, which comprise the condensed consolidated statement of financial position as of 30 September 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, 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.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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  
30 November 2020



## BUSINESS REVIEW AND PROSPECTS

### BUSINESS REVIEW

For the six months ended 30 September 2020 (“1H2020/21”), the global economy remains clouded by the on-going COVID-19 pandemic and the intensified geopolitical tension. Since mid-March 2020, majority of the cities in Europe and the US have imposed lockdown and work from home policies from time to time, and retail business has thus suffered since consumers have been extra-cautious in spending. With sales slumped along with disrupted distribution channels, the Group’s branded clients in the North American and European cities have cancelled or postponed orders in response to the downward economy. Consequently, the Group was inevitably affected.



For 1H2020/21, the Group’s unaudited consolidated revenue was approximately HK\$2,087 million, representing a decrease of approximately 18.8% as compared to the previous corresponding period (1H2019: HK\$2,572 million). Gross profit decreased by approximately 27.8% to approximately HK\$333 million (1H2019: HK\$461 million). The decrease in gross profit was mainly attributable to the decrease in revenue and production scale which led to lower utilisation of labours and production lines. Profit attributable to owners of the Company for the reporting period amounted to approximately HK\$64 million (1H2019: HK\$205 million), representing a drop of 68.8%. The decline was due to the decrease in other gains and losses primarily due to the one-off gain of approximately HK\$67.3 million recognised during the six months ended 30 September 2019 for the disposal of a piece of land by Nanjing Synergy.

### Textile Business

For 1H2020/21, production and sale of knitted fabric and dyed yarn remained the major business segment of the Group, accounting for approximately 97.4% of the Group’s consolidated revenue. Revenue for the textile segment was approximately HK\$2,032 million, representing a slight decline of approximately 16.4% from the previous corresponding period (1H2019: HK\$2,430 million).

During the reporting period, cotton price recorded a notable drop in the first quarter driven by the fall in global consumer's demand has exerted pressure on the Group's pricing position. In addition, price adjustment request from downstream manufacturers and their decrease in purchasing volumes has further deteriorated our production plants' economies of scale. Together with lean management, technology automation, machinery updates and cost control initiatives, the Group managed to mitigate the effect on the rising manufacturing overheads. Gross profit margin was approximately 16.0% (1H2019: 17.9%) and net profit (after adjusting non-operating gains and losses) was approximately HK\$75 million (1H2019: HK\$139 million) for the six months ended 30 September 2020 for the textile segment.

### Garment Business

Revenue of the garment business for the reporting period was approximately HK\$55 million, with a decrease of approximately 61.0% from approximately HK\$141 million in the same period last year. The decrease was mainly attributable to the further consolidation and restructuring of business portfolio. Gross profit decrease to approximately HK\$7 million (1H2019: HK\$27 million).

### Major Movement

#### *Forming a Joint Venture with Smart Fabric to Provide Total Supply Chain Solution for Global Fashion Brands*

On 10 September 2020, the Group has formed a strategic collaboration with Shenzhen Smart Fabric Textile Technology Co., Ltd\* (深圳市智布互聯紡織科技有限公司) ("Smart Fabric"), with the goal of revolutionising the supply chain solution, by building a cloud platform to optimise the information flow of global value chain, and integrating the global textile with the entire value chain.

Smart Fabric is an industrial internet group that consolidates information, manufacturing capabilities, resources and technologies of the whole textile value chain. Smart Fabric is also in provision of SaaS and PaaS platform with integrated IoT, ERP, MES and big data technologies to optimise sharing of information and distributed resources for effective production planning and total solutions for global fashion brands.



\* for identification purposes only

## BUSINESS REVIEW AND PROSPECTS

Since both parties in the joint venture are engaged in textile, garment and fashion manufacturing and related business, the Group aspires to achieve synergy through consolidating information about the total supply chain for global fashion house, broadening clientele reach with the aid of integrated digital platform and the enriching of product trade flow database. Such information will support the long-term growth and facilitate the market expansion of the Group.

### *Completion of a rights issue of a total of 1,553,823,962 rights shares with net proceeds of approximately HK\$212.2 million*

On 14 August 2020, the Company issued and allotted 1,553,823,962 Shares at a subscription price of HK\$0.14 each, by way of Rights Issue in the proportion of two rights shares for every one Share held on 22 July 2020. The net proceeds of approximately HK\$212.2 million was used as general working capital of the Group and funding for repayment of syndicated loan.

For details of the use of proceeds from the Right Issue, please refer to the announcement of the Company dated 11 May 2020, the circular of the Company dated 18 June 2020 and the prospectus of the Company dated 23 July 2020.

## PROSPECTS

Looking forward to second half of 2020/21, impact of COVID-19 pandemic and geopolitical conflict is expected to linger and post uncertainties to the global economy. On the demand side, as a longer period is needed for the mass production and distribution of COVID-19 vaccines, waves of outbreak in various countries continues to affect the market sentiment and consumer confidence. However, we see lights at the end of the tunnel. The increasing sales from e-commerce platforms along with the approaching of the holiday season have added up to unleash purchase power. A gradual rebound is anticipated for the retail and apparel industry, and hence, bringing growth momentum to the Group's textile business.

On the supply side, the global fashion supply chain has been undergoing consolidation during the pandemic and will continue in the future. This provides an opportunity to scalable enterprises with leading market position, renowned customer base and the advanced production, like our Group, to gain better market share. In addition, the Group's commencement into smart manufacturing, with the provision of deliberate supply chain solution through digitalisation and algorithms, will further solidify a sustainable and tech-driven transformation for the Group.

Looking ahead, the Group will continue to be both cautious and prudent towards the formulation and implementation of corporate strategies to create long-term value for stakeholders. Even though the market ahead is full of challenges and uncertainties, the Group will endeavour to achieve sustainability and remain competitive at all times in this rapidly changing business environment.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30 September 2020, the Group had total assets of approximately HK\$12,485 million (31 March 2020: HK\$12,411 million) which were financed by current liabilities of approximately HK\$3,844 million (31 March 2020: HK\$3,876 million), long term liabilities of approximately HK\$1,507 million (31 March 2020: HK\$1,937 million) and shareholders' equity of approximately HK\$7,118 million (31 March 2020: HK\$6,580 million). The current ratio was approximately 1.7 (31 March 2020: 1.9) 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 43.6% (31 March 2020: 40.3%). All of the Group's borrowings were at floating rate basis.



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

### Foreign Exchange and Interest Rate Risks

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

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

## **BUSINESS REVIEW AND PROSPECTS**

### **Capital Expenditure**

During the period, the Group invested approximately HK\$698 million (1H2019: HK\$481 million) on additions to property, plant and equipment.

As at 30 September 2020, the Group had capital commitments of approximately HK\$22 million (31 March 2020: 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 2020, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK\$229 million (31 March 2020: HK\$218 million) were pledged to banks to secure credit facilities granted.

### **Employee Information**

As at 30 September 2020, the total number of employees of the Group was approximately 2,600 in the PRC and approximately 90 in Hong Kong, Macau and other places. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

## OTHER DISCLOSURES

### INTERIM DIVIDEND

The Directors has resolved not to declare any interim dividend for the six months ended 30 September 2020.

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

As at 30 September 2020, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/associated corporation
Li Ming Hung	The Company	Founder of a trust	505,089,760 Shares (L) (Notes 2 & 4)	—	21.67% (Note 11)
	The Company	Beneficial owner	—	40,568 Shares (L) (Note 5)	0.002%
	VC Company (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%
	Victory City Overseas Limited ("VC Overseas") (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	—	39.4%
Chen Tien Tui	The Company	Founder of a trust	505,089,760 Shares (L) (Notes 3 & 4)	—	21.67% (Note 11)
	The Company	Beneficial owner	1,647,000 Shares (L)	—	0.07%
	The Company	Beneficial owner	—	40,568 Shares (L) (Note 5)	0.002%

## OTHER DISCLOSURES

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/associated corporation
	VC Company (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	—	50%
	VC Overseas (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	—	39.4%
Lee Yuen Chiu Andy	The Company	Beneficial owner	—	507,100 Shares (L) (Note 5)	0.02%
Choi Lin Hung (Note 17)	The Company	Beneficial owner	6,300,000 Shares (L)	—	0.27%
	The Company	Beneficial owner	—	5,071,000 Shares (L) (Notes 5 and 6)	0.22%
	VC Overseas (Note 15)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	—	21.2%
	Sure Strategy Limited ("Sure Strategy") (Note 15)	Interest of controlled corporation	49 ordinary shares of US\$1.00 each (L) (Note 7)	—	49%
	Ford Glory Holdings Limited ("FG Holdings") (Note 15)	Interest of controlled corporation	100 ordinary shares of US\$1.00 each (L) (Note 8)	—	100%
	Ford Glory International Limited ("FGIL") (Note 15)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 14)	—	100%
	福之源貿易(上海)有限公司 (Note 15)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 9)	—	100%

## 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
	Rocwide Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	—	100%
	Jiangmen V-Apparel Manufacturing Ltd. (Note 15)	Interest of controlled corporation	Registered capital of HK\$31,260,000 (L) (Note 10)	—	100%
	Happy Noble Holdings Limited (Note 15)	Interest of controlled corporation	70 ordinary shares of US\$1.00 each (L) (Note 14)	—	70%
	Sky Winner Investment Limited (Note 15)	Interest of controlled corporation	100 ordinary shares of HK\$1.00 each (L) (Note 12)	—	100%
	Talent Partner Holdings Limited (Note 15)	Interest of controlled corporation	51 ordinary shares of US\$1.00 each (L) (Note 14)	—	51%
	Green Expert Global Limited (Note 15)	Interest of controlled corporation	1 ordinary share of US\$1.00 each (L) (Note 13)	—	100%
	Major Time Limited (Note 15)	Interest of controlled corporation	1 ordinary share of HK\$1.00 each (L) (Note 13)	—	100%
	Gojifashion Inc. (Note 16)	Interest of controlled corporation	100 common shares of no par value (L) (Note 14)	—	50%
	Just Perfect Holdings Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 14)	—	100%
Phaisalakani Vichai	The Company	Beneficial owner	3,744,000 Shares (L)	—	0.16%



## OTHER DISCLOSURES

### Notes:

1. The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporations.
2. These Shares were held by Pearl Garden. Pearl Garden is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung’s family members. These Shares include (i) 313,702,200 Shares held by Pearl Garden; and (ii) 191,387,560 Shares to be issued upon full exercise of the conversion rights attached to the convertible bonds issued to Pearl Garden on 28 June 2019 at an adjusted conversion price of HK\$1.045 per conversion Share.
3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui’s family members. These Shares include (i) 313,702,200 Shares held by Madian Star; and (ii) 191,387,560 Shares to be issued upon full exercise of the conversion rights attached to the convertible bonds issued to Madian Star on 28 June 2019 at an adjusted conversion price of HK\$1.045 per conversion Share.
4. On 28 June 2019, the Company issued the Convertible Bonds to each of Pearl Garden and Madian Star with a principal sum of HK\$200,000,000 and HK\$200,000,000 respectively for a term of two years (extendable to five years subject to agreement). Each of Pearl Garden and Madian Star has the right to convert its portion of such convertible bonds for 191,387,560 Shares at an adjusted conversion price for HK\$1.045 per conversion Share upon full exercise of its conversion rights.
5. On 18 April 2019, Mr. Li Ming Hung, Mr. Chen Tien Tui, Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung was granted 400,000, 400,000, 5,000,000 and 34,225,047 options respectively under the Scheme to subscribe for 400,000, 400,000, 5,000,000 and 34,225,047 Shares respectively, exercisable at a price of HK\$0.1002 per Share during a period from 18 April 2019 to 17 April 2024. Upon completion of the share consolidation and the Rights Issue, the number of options owned by Mr. Li Ming Hung, Mr. Chen Tien Tui, Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung was adjusted to 40,568, 40,568, 507,100 and 3,471,105 options respectively under the Scheme to subscribe for 40,568, 40,568, 507,100 and 3,471,105 Shares respectively, exercisable at an adjusted price of HK\$0.988 per Share during a period from 18 April 2019 to 17 April 2024.
6. On 12 October 2016, Mr. Choi Lin Hung was granted 15,000,000 options under the Scheme to subscribe for 15,000,000 Shares, exercisable at a price of HK\$0.391 per Share during a period from 12 October 2016 to 11 October 2021. Upon completion of the share consolidation and the rights issues, the number of options owned by Mr. Choi Lin Hung was adjusted to 1,599,895 to subscribe for 1,599,895 Shares, exercisable at an adjusted price of HK\$3.668 per Share during a period from 12 October 2016 to 11 October 2021.
7. These shares were held by Merlotte Enterprise Limited (“Merlotte”). Sure Strategy was owned as to 49% by Merlotte, a company wholly owned by Mr. Choi Lin Hung, and as to 51% owned by Victory City Investments Limited, a wholly-owned subsidiary of the Company.
8. These shares were held by Sure Strategy.
9. This registered capital was beneficially owned by FGIL which is a wholly-owned subsidiary of FG Holdings.
10. The registered capital was beneficially owned as to 40% by FG Holdings and as to 60% by Rocwide Limited.

## OTHER DISCLOSURES

Notes: *(continued)*

11. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately held over 20% of the voting share capital of the Company, which complied with the condition of a syndicated loan borrowed by the Group.
12. These shares were held by Happy Noble Holdings Limited.
13. This ordinary share was beneficially owned by Talent Partner Holdings Limited.
14. These shares or these common shares as the case may be, was/were beneficially owned by FG Holdings.
15. These companies are subsidiaries of the Company.
16. Although Gojifashion Inc. is not a subsidiary of the Company, it is an associated corporation (within the meaning of Part XV of the SFO) of the Company.
17. Mr. Choi Lin Hung resigned as an executive Director on 9 November 2020.

Save as disclosed above in this report, as at 30 September 2020, none of the Directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

## OTHER DISCLOSURES

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

As at 30 September 2020, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than the Directors and the chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person/entity	Number of Shares (Note 1)	Capacity	Approximate % of interest
Pearl Garden	505,089,760 (L)	Beneficial owner (Note 2)	21.67%
Cornice Worldwide Limited	505,089,760 (L)	Interest of controlled corporation (Note 2)	21.67%
Madian Star	505,089,760 (L)	Beneficial owner (Note 3)	21.67%
Yonice Limited	505,089,760 (L)	Interest of controlled corporation (Note 3)	21.67%
Fiducia Suisse SA	1,010,179,520 (L)	Trustee (Notes 2 and 3)	43.34%
Mr. David Henry Christopher Hill	1,010,179,520 (L)	Interest of controlled corporation (Note 6)	43.34%
Ms. Ho Yuen Mui Shirley	505,130,328 (L)	Interest of spouse (Note 4)	21.67%
Ms. Or Kwai Ying	506,777,328 (L)	Interest of spouse (Note 5)	21.74%
FMR LLC	234,436,898 (L)	Interest of controlled corporation (Note 7)	10.06%
Fidelity Puritan Trust	130,157,280 (L)	Beneficial owner	5.58%

## OTHER DISCLOSURES

### Notes:

1. The letter “L” represents the person’s or entity’s interests in the Shares and underlying Shares.
2. These Shares were held by Pearl Garden. Pearl Garden is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung’s family members. Mr. Chen Tien Tui is a director of each of Pearl Garden and Cornice Worldwide Limited. These Shares include (i) 313,702,200 Shares held by Pearl Garden; and (ii) 191,387,560 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Pearl Garden on 28 June 2019 at an adjusted conversion price of HK\$1.045 per conversion Share.
3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui’s family members. Mr. Li Ming Hung is a director of each of Madian Star and Yonice Limited. These Shares include (i) 313,702,200 Shares held by Madian Star; and (ii) 191,387,560 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Madian Star on 28 June 2019 at an adjusted conversion price of HK\$1.045 per conversion Share.
4. Ms. Ho Yuen Mui Shirley is the wife of Mr. Li Ming Hung.
5. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.
6. These Shares were held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung’s family members and Mr. Chen Tien Tui’s family members. Fiducia Suisse SA is wholly owned by Mr. David Henry Christopher Hill.
7. Based on the disclosure of interests form filed by FMR LLC on 25 August 2020, these Shares were held by companies controlled by FMR LLC.

Save as disclosed above, so far as is known to the Directors, as at 30 September 2020, there was no person or entity (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares and/or underlying Shares (including interest in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## OTHER DISCLOSURES

### SHARE OPTIONS

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

Details of the options to subscribe for Shares granted under the Scheme for the period under review are as follows:

Category	Date of grant	Exercise price per Share HK\$	Adjusted exercise price per Share due to the rights issues and/or the Share Consolidation HK\$	Exercisable period	Outstanding at 1 April 2020	Number of share options				Adjustments due to	
						Granted	Exercised	Cancelled	Lapsed	Rights Issue on 14 August 2020	Outstanding at 30 September 2020
Directors (Note 1)	12/10/2016	0.391	3.668	12/10/2016 to 11/10/2021	1,577,495	-	-	-	-	22,400	1,599,895
	18/04/2019	0.1002	0.988	18/04/2019 to 17/04/2024	4,002,505	-	-	-	-	56,836	4,059,341
Other employees (Note 2)	12/10/2016	0.391	3.668	12/10/2016 to 11/10/2021	23,977,928	-	-	-	-	340,487	24,318,415
	18/04/2019	0.1002	0.988	18/04/2019 to 17/04/2024	34,362,071	-	-	-	(160,000)	485,669	34,687,740
Others	12/10/2016	0.391	3.668	12/10/2016 to 11/10/2021	2,839,492	-	-	-	(2,839,492)	-	-
	18/04/2019	0.1002	0.988	18/04/2019 to 17/04/2024	2,060,508	-	-	-	(1,960,508)	1,420	101,420
					68,819,999	-	-	-	(4,960,000)	906,812	64,766,811

Notes:

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

## ISSUE FOR CASH OF EQUITY SECURITIES

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

Date of announcement/ circular/prospectus	Event	Number of Shares and issue price (approximate)	Net proceeds and net price (approximate)	Closing price on the date of signing of the agreement	Intended use of proceeds as announced	Actual use of proceeds
11 May 2020, 18 June 2020, 23 July 2020 and 13 August 2020	Rights Issue	1,553,823,962 Shares with an aggregate nominal value of HK\$155,382,396.2 and HK\$0.140 per Share	HK\$212.2 million and HK\$0.137 per Share	HK\$0.201	Approximately HK\$200.0 million for the repayment of the syndicated loan; and approximately HK\$12.2 million as general working capital of the Group	All net proceeds have been used as intended

For reasons of issue, please refer to the relevant announcements, circular and/or prospectus of the Company for details.

In addition, the Company has raised (i) approximately HK\$157 million from the placing completed on 18 January 2018; (ii) approximately HK\$63.7 million from the issue of convertible bonds on 13 August 2019; and (iii) approximately HK\$64.7 million from the issue of convertible bonds on 23 October 2019, which is intended to be reserved for the Group's plan to construct of a manufacturing base in Bangladesh for fabric production (the "Expansion") and has not been utilised as at the date of this report. Given the recent unpredictability of the global economy and the financial pressure brought by the COVID-19 pandemic, the management is of the view that more working capital has to be reserved for the Group's operation. Accordingly, the Expansion has been deferred. The management will closely monitor the economic impact caused by the COVID-19 pandemic and will assess the viability of the Expansion when the COVID-19 pandemic is contained.

## OTHER DISCLOSURES

### EVENTS AFTER THE REPORTING PERIOD

On 23 October 2020, the Company entered into (i) a deed of amendment with Mr. Wang Chia Po to amend the conversion price of the convertible bonds issued on 13 August 2019 to HK\$0.120 per conversion Share, subject to the Shareholders' approval; and (ii) a deed of amendment with Mr. Wong Shu Fat to amend the conversion price of the convertible bonds issued on 23 October 2019 to HK\$0.120 per conversion Share, subject to the Shareholders' approval. Please refer to the announcement of the Company dated 23 October 2020 for details.

On 23 October 2020, the Company entered into a deed of amendment with Pearl Garden and Madian Star to revise the conversion restriction and to amend the conversion price of the convertible bonds issued on 28 June 2019 to HK\$0.135 per conversion Share, subject to the independent Shareholders' approval. Please refer to the announcements of the Company dated 23 October 2020 and 30 October 2020 for details.

On 9 November 2020, Mr. Choi Lin Hung resigned as an executive Director. Please refer to the announcement of the Company dated 9 November 2020 for details.

Save for above, there were no other significant events affecting the Group after the reporting period.

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

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save as disclosed in note 15 to the Group's financial statements, the Group had no significant investments, acquisitions and disposals for the reporting period.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Given the recent unpredictability of the global economy and the financial pressure brought by the COVID-19 pandemic, the management is of the view that more working capital has to be reserved for the Group's operation. Accordingly, the Expansion has been deferred. The management will closely monitor the economic impact caused by the COVID-19 pandemic and will assess the viability of the Expansion when the COVID-19 pandemic is contained. For further details, please refer to the announcements of the Company dated 28 December 2017, 1 August 2019, 14 October 2019 and 23 October 2020.

### DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

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

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

Save as disclosed above, as at 30 September 2020, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had complied throughout the six months ended 30 September 2020 with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

The Company has adopted a code of conduct (the “Code of Conduct”) regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Upon receiving specific enquiries from the Company, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 September 2020.



## OTHER DISCLOSURES

### AUDIT COMMITTEE

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

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

The Committee has reviewed the unaudited financial statements of the Group for the six months ended 30 September 2020 and is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto has been made.

### CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmation from the Director, save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

<b>Name of Director</b>	<b>Details of change in Director’s particulars subsequent to 2020 annual report</b>
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Choi Lin Hung	Mr. Choi resigned from his position as an executive director of the Company, a company listed on the Main Board of the Stock Exchange, on 9 November 2020.
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By Order of the Board of Directors  
**Victory City International Holdings Limited**

**Li Ming Hung**  
*Chairman*

Hong Kong, 30 November 2020



**VICTORY CITY INTERNATIONAL HOLDINGS LIMITED**

冠華國際控股有限公司

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