

Interim Report **2010/11** 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

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

Independent Non-Executive

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

COMPANY SECRETARY

Lee Chung Shing

LEGAL ADVISERS

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

MAJOR BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
CITIC Bank International Limited
Bank of America, N. A.
Mizuho Corporate Bank, Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Rabobank International

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY WEBSITE

www.victorycity.com.hk

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	NOTES	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue	3	2,143,474	1,942,318
Cost of sales		(1,750,192)	(1,595,181)
Gross profit		393,282	347,137
Other income		12,204	7,339
Other gains and losses	4	4,002	25,548
Distribution and selling expenses		(51,010)	(46,169)
Administrative expenses		(133,985)	(121,676)
Listing expenses of a non-wholly owned subsidiary		(13,096)	–
Finance costs		(24,397)	(13,531)
Profit before taxation		187,000	198,648
Income tax expense	5	(16,204)	(18,644)
Profit for the period	6	170,796	180,004
Other comprehensive income			
Exchange differences arising on translation of foreign operations		–	1,366
Total comprehensive income for the period		170,796	181,370

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	NOTES	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		164,631	168,248
Non-controlling interests		6,165	11,756
		170,796	180,004
Total comprehensive income attributable to:			
Owners of the Company		164,631	167,780
Non-controlling interests		6,165	13,590
		170,796	181,370
Earnings per share	8		
Basic		HK15.5 cents	HK16.4 cents
Diluted		HK15.5 cents	HK16.4 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	NOTES	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment	9	2,233,834	2,308,700
Prepaid lease payments		20,294	20,783
Goodwill		6,185	6,185
Other assets		19,005	–
Deposit paid for acquisition of property, plant and equipment		4,560	1,859
		2,283,878	2,337,527
Current assets			
Inventories		1,838,831	1,680,996
Trade and bills receivables	10	948,212	975,169
Deposits, prepayments and other receivables		159,660	134,919
Tax recoverable		855	–
Prepaid lease payments		489	489
Derivative financial instruments		3,219	–
Bank balances and cash		610,509	547,779
		3,561,775	3,339,352
Assets classified as held for sale	11	–	28,118
		3,561,775	3,367,470

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	NOTES	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (restated)
Current liabilities			
Trade payables	12	372,392	424,935
Other payables		101,008	144,904
Dividend payable		42,655	91
Taxation payable		87,784	78,734
Bank borrowings – amount due within one year	13	951,407	767,739
Structured borrowings – amount due within one year	14	14,024	19,947
		1,569,270	1,436,350
Liabilities associated with assets classified as held for sale	11	–	22,282
		1,569,270	1,458,632
Net current assets			
		1,992,505	1,908,838
		4,276,383	4,246,365
Capital and reserves			
Share capital	15	10,641	10,641
Reserves		3,189,266	3,067,199
Equity attributable to owners of the Company		3,199,907	3,077,840
Non-controlling interests		135,924	142,212
Total equity			
		3,335,831	3,220,052
Non-current liabilities			
Bank borrowings – amount due after one year	13	926,436	1,010,623
Structured borrowings – amount due after one year	14	7,012	9,974
Deferred taxation		7,104	5,716
		940,552	1,026,313
		4,276,383	4,246,365

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Capital redemption reserve	Capital reserve	Translation reserve	Dividend reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2009 (audited)	10,255	913,773	-	39	76,229	400,235	-	1,329,352	2,729,883	142,331	2,872,214
Profit for the period	-	-	-	-	-	-	-	168,248	168,248	11,756	180,004
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(468)	-	-	(468)	1,834	1,366
Total comprehensive income for the period	-	-	-	-	-	(468)	-	168,248	167,780	13,590	181,370
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(637)	(637)
At 30 September 2009 (unaudited)	10,255	913,773	-	39	76,229	399,767	-	1,497,600	2,897,663	155,284	3,052,947
At 31 March 2010 (audited)	10,641	968,089	1,961	39	76,229	398,112	-	1,622,769	3,077,840	142,212	3,220,052
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	164,631	164,631	6,165	170,796
2010 Final dividend approved but not yet paid	-	-	-	-	-	-	-	(42,564)	(42,564)	-	(42,564)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(14,700)	(14,700)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	2,247	2,247
At 30 September 2010 (unaudited)	10,641	968,089	1,961	39	76,229	398,112	-	1,744,836	3,199,907	135,924	3,335,831

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash from operating activities	6,332	147,791
Net cash used in investing activities:		
Purchase of property, plant and equipment	(27,278)	(36,696)
Proceeds from disposal of property, plant and equipment and leasehold land	25,825	–
Deposit paid for acquisition of additional interest in a subsidiary	–	(19,000)
Other investing cash flows	(1,215)	10,247
	(2,668)	(45,449)
Net cash used in financing activities:		
New bank loans raised	82,006	208,384
Repayment of bank loans	(75,795)	(206,926)
Net amount of bills discounted with recourse, debt factored with recourse, import loans, trust receipt loans and revolving trade loans raised (repaid)	65,308	(116,129)
Other financing cash flows	(12,453)	(10,933)
	59,066	(125,604)
Net increase (decrease) in cash and cash equivalents	62,730	(23,262)
Cash and cash equivalents at beginning of the period	547,779	546,477
Cash and cash equivalents at end of the period, represented by bank balances and cash	610,509	523,215

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

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 Rule”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of annual financial statements of Victory City International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2010, except for the accounting policies described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of the other new and revised HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

HKFRS 3 (Revised) Business Combination

The Group has applied HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010.

As there was no transaction during the current interim period to which HKFRS 3 (Revised) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current accounting period.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment to HKAS 17 Leases

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset has been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment. This resulted in a reclassification from prepaid lease payments to property, plant and equipment that are measured using the cost model. No profit or loss items are affected as a result of the reclassification.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Summary of the effect of the above change in accounting policies:

The effect of changes in accounting policies described above on the financial position of the Group as at 31 March 2010 is as follows:

	As at 31 March 2010 (Originally stated) HK\$'000	Adjustments HK\$'000	As at 31 March 2010 (Restated) HK\$'000
Property, plant and equipment	2,294,777	13,923	2,308,700
Prepaid lease payments	35,195	(13,923)	21,272
	2,329,972	–	2,329,972

The effect of changes in accounting policies described above on the financial position of the Group as at 1 April 2009 is as follows:

	As at 1 April 2009 (Originally stated) HK\$'000	Adjustments HK\$'000	As at 1 April 2009 (Restated) HK\$'000
Property, plant and equipment	2,444,630	28,622	2,473,252
Prepaid lease payments	50,384	(28,622)	21,762
	2,495,014	–	2,495,014

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosure ⁴
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7 (Amendment)	Disclosure – Transfer of Financial Assets ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 July 2011

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

- In relation to financial liabilities, the most significant change relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of these new and revised HKFRSs may have material impact on the results and the financial position of the Group. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SEGMENT INFORMATION

At the end of the reporting period, the Group's operations are organised into two operating segments:

- (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

3. SEGMENT INFORMATION *(continued)*

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

Six months ended 30 September 2010

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	1,680,173	463,301	2,143,474
RESULTS			
Segment results	199,179	28,694	227,873
Unallocated corporate income			6,494
Unallocated corporate expenses			(22,970)
Finance costs			(24,397)
Profit before taxation			187,000
Income tax expense			(16,204)
Profit for the period			170,796

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

3. SEGMENT INFORMATION *(continued)*

Six months ended 30 September 2009

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	1,508,337	433,981	1,942,318
RESULTS			
Segment results	167,808	22,443	190,251
Unallocated corporate income			27,913
Unallocated corporate expenses			(5,985)
Finance costs			(13,531)
Profit before taxation			198,648
Income tax expense			(18,644)
Profit for the period			180,004

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Gain on fair value changes of derivative financial instruments	4,705	31,871
Gain (loss) on fair value changes of structured borrowings	304	(4,081)
Gain on disposal of property, plant and equipment	524	124
Net foreign exchange losses	(1,531)	(2,390)
Reversal of bad debt provision	–	24
	4,002	25,548

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Current tax:		
Hong Kong Profits Tax	9,556	10,475
Enterprise income tax in the People's Republic of China (the "PRC") attributable to the subsidiaries	5,260	6,339
Overseas income tax	–	148
	14,816	16,962
Deferred tax:		
Current period	1,388	1,682
	16,204	18,644

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

5. INCOME TAX EXPENSE *(continued)*

Hong Kong Profit Tax is calculated at 16.5% for both periods under review.

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

According to the Enterprise Income Tax Law of the PRC, withholding income tax is imposed on dividends declared in respect of profit carried by PRC subsidiaries from 1 January 2008 onwards. As at 31 March 2010 and 30 September 2010, deferred taxation has been provided in full in respect of the undistributed profits from these PRC subsidiaries in the condensed consolidated financial statements.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	101,966	100,761
Release of prepaid lease payment	489	245
Interest income	(120)	(726)

7. DISTRIBUTION

On 30 August 2010, the Company approved a final dividend of HK\$42,564,000 representing HK4.0 cents per share in respect of the financial year ended 31 March 2010. The amount of final dividend recommended was to be in cash with a scrip option.

The directors have determined that an interim dividend of approximately HK\$36,374,000 representing HK3.0 cents per share for the six months ended 30 September 2010 (six months ended 30 September 2009: approximately HK\$21,210,000 representing HK2.0 cents per share), in cash with a scrip option, to be paid to the Company's shareholders.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

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	
	2010 HK\$'000	2009 HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	164,631	168,248
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,064,099	1,025,495
Effect of dilutive potential ordinary shares in respect of share options (note i)	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,064,099	1,025,495

Note:

- (i) The computation of diluted earnings per share for the six months periods ended 30 September 2010 and 2009 does not assume the exercise of the Group's outstanding share options as the exercise prices of those options are higher than the average market price.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$27 million (six months ended 30 September 2009: HK\$37 million) on additions to property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

10. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 90-120 days to its trade customers.

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

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
0-60 days	607,544	653,583
61-90 days	223,434	197,905
91-120 days	108,794	96,447
Over 120 days	8,440	27,234
	948,212	975,169

11. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 28 January 2010, the Group entered into a sales agreement with an independent third party to dispose of a self-used building.

Accordingly, the relevant property interests were reclassified from property, plant and equipment and prepaid lease payments with the carrying amount of HK\$14,166,000 and HK\$13,952,000 respectively, to assets classified as held for sale in the consolidated statement of financial position as at 31 March 2010.

The Group received a sale deposit of HK\$2,900,000 in respect of the above disposal which together with bank borrowings of HK\$19,382,000 were classified as liabilities associated with assets classified as held for sale in the consolidated statement of financial position as at 31 March 2010.

The above disposal was completed in June 2010. A gain on disposal of approximately HK\$508,000 was recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

12. TRADE PAYABLES

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

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
0-60 days	272,651	307,385
61-90 days	71,478	80,441
Over 90 days	28,263	37,109
	372,392	424,935

13. BANK BORROWINGS

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Bank loans	1,271,382	1,235,694
Bills discounted with recourse and debts factored with recourse	241,149	216,670
Import loans and trust receipts loans	345,493	305,568
Mortgage loans	19,819	39,812
Transfer to liabilities associated with asset classified as held for sale	–	(19,382)
	1,877,843	1,778,362
Less: Amount due within one year included in current liabilities	(951,407)	(767,739)
Amount due after one year	926,436	1,010,623

During the six-month period ended 30 September 2010, the Group obtained new bank loans of an aggregate amount of approximately HK\$82,006,000 (six months ended 30 September 2009: HK\$208,384,000). The loans carry interest at market rates ranging from 1.75% to 4.80% per annum ("p.a.") (six months ended 30 September 2009: ranging from 1.74% to 3.69% p.a.).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

14. STRUCTURED BORROWINGS

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Structured borrowings, classified as:		
Current	14,024	19,947
Non-current	7,012	9,974
	21,036	29,921

The structured borrowings contain embedded derivatives. Therefore, the entire hybrid contracts were designated as at fair value through profit or loss upon initial recognition. The estimated amount repayable to the bank within one year, represents the fair value of the structured borrowings at the end of the reporting period apportioned accordingly to the repayment term.

The entire hybrid contracts are measured at fair value and calculated using discounted cash flow analysis based on the applicable yield curves at 30 September 2010. Changes in fair value are recognised in profit or loss in the condensed consolidated statement of comprehensive income.

15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 April 2009, 31 March 2010 and 30 September 2010 at HK\$0.01 each	40,000,000	400,000
Issued and fully paid:		
At 1 April 2009 and 30 September 2009	1,025,495	10,255
Placing of new shares	35,000	350
Issue of shares pursuant to scrip dividend scheme for 2010 interim dividend	3,605	36
At 31 March 2010 and 30 September 2010	1,064,100	10,641

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

16. CAPITAL COMMITMENTS

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	41,631	41,618

17. RELATED PARTY DISCLOSURES

- (i) During the period, the Group paid operating lease rental of approximately HK\$54,000 (six months ended 30 September 2009: HK\$54,000) to Verdure Enterprises Limited (“Verdure”). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a director and a shareholder of the Company, and his family.

The payment of the above operating lease rental constitutes an exempted connected transaction under Chapter 14A of the Listing Rules.

- (ii) On 27 October 2008, the Group entered into a new master sale and purchase agreement (“Master Supply Agreement”) with 南京新一棉紡織印染有限公司 Nanjing Synergy Textiles Limited (“Nanjing Synergy”). The issued share capital of Nanjing Synergy is indirectly owned as to 50% each by (a) a discretionary trust whose beneficiaries are the family members of Mr. Li Ming Hung and (b) a discretionary trust whose discretionary beneficiaries are the family members of Mr. Chen Tien Tui, both are directors of the Company. Pursuant to the Master Supply Agreement, Nanjing Synergy agreed to supply yarn to the Group and the purchases during the period were approximately HK\$204,375,000 (six months ended 30 September 2009: HK\$179,604,000). As at 30 September 2010, the aggregate amount of purchase deposits placed by the Group with Nanjing Synergy was approximately HK\$62,807,000 (31 March 2010: HK\$56,051,000) which were included in deposits, prepayments and other receivables.

The transactions contemplated by the Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

17. RELATED PARTY DISCLOSURES *(continued)*

- (iii) On 1 April 2007, the Group entered into a master sale and purchase agreement (“Kimberley-Mayer Master Agreement”) with 加美(清遠)制衣有限公司 Kimberley (Qing Yuan) Garment Limited (“Kimberley”). Kimberley is owned by a director of a subsidiary of the Company. Pursuant to the Kimberley-Mayer Master Agreement, Kimberley agreed to supply apparel products to the Group and the purchases during the period were approximately HK\$37,573,000 (six months ended 30 September 2009: HK\$38,095,000). As at 30 September 2010, the aggregate amount of purchase deposits placed by the Group in Kimberley was approximately HK\$8,891,000 (31 March 2010: HK\$5,518,000) which were included in deposits, prepayments and other receivables.

The transactions contemplated by the Kimberley-Mayer Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

- (iv) At 30 September 2010, the Company and certain of its wholly owned subsidiaries provided guarantees in favour of several banks in respect of facilities granted by the banks to Ford Glory International Limited (“Ford Glory”), a non-wholly owned subsidiary of the Company in which Mr. Choi Lin Hung, a director and a shareholder of the Company, has a 49% beneficial interest.

The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK\$323 million in aggregate as at 30 September 2010 (31 March 2010: HK\$493 million). The amount of financial assistance provided exceeds the proportional interest of the Company in Ford Glory. The provision of the guarantees constitutes connected transactions under Rule 14A 13(2) of the Listing Rules of the Stock Exchange. Mr. Choi Lin Hung did not provide similar guarantees to the banks but had provided pro rata counter indemnity to the Company and the relevant subsidiaries of the Company.

- (v) On 25 February 2010, Victory City Holdings Limited, a wholly-owned subsidiary of the Company, on its own behalf and as trustee for the benefit of other members of the Group, entered into the master agreements (the “Master Agreements”) with Ford Glory Holdings Limited (“FG Holdings”), a non-wholly owned subsidiary of the Company, on its own behalf and as trustee for the benefit of other members of the FG Holdings and its subsidiaries (the “FG Group”), pursuant to which the Group agreed to sell/supply, and the FG Group has agreed to purchase, (i) fabric products; (ii) steam and electricity; and (iii) yarn. The Master Agreements are all of a term from 1 April 2010 to 31 March 2013.

The transactions contemplated by the Master Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

17. RELATED PARTY DISCLOSURES *(continued)*

- (vi) On 25 February 2010, V-Apparel International Limited (“V-Apparel”), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the “Rocwide Agreement”) with FG Holdings, pursuant to which V-Apparel agreed to sell, and FG Holdings agreed to purchase the entire issued share capital of Rocwide Limited.

The transaction contemplated by the Rocwide Agreement constitutes connected transactions for the Company under Chapter 14A of the Listing Rules.

- (vii) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Basic salaries and allowances	5,838	5,791
Retirement benefit scheme contributions	125	125
	5,963	5,916

18. EVENTS AFTER THE END OF THE INTERIM PERIOD

- A. On 5 October 2010, a non-wholly owned subsidiary, Ford Glory Group Holdings Limited (“FGG”), completed the initial public offering of its shares on the Stock Exchange, (the “Spin-off”) pursuant to which a total of 118,000,000 new ordinary shares were issued at a price of HK\$0.6 per share, raising total proceeds, before expenses, of HK\$70.8 million. Following the Spin-off, the Group still retains control over FGG and the Group’s effective interest in FGG was reduced from 51% to 37.26%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

18. EVENTS AFTER THE END OF THE INTERIM PERIOD *(continued)*

B. On 13 October 2010, the Company announced that:

- (a) two substantial shareholders of the Company (the “Vendors”) had agreed to place 130,000,000 ordinary shares of HK\$0.01 each in the Company (the “Shares”) to certain independent third parties at a price of HK\$1.83 per share (the “Placing Price”) (the “Placing”). The Placing Price represents (i) a discount of approximately 12.02% to the closing price of HK\$2.08 per Share on 12 October 2010 (being the last trading date of the Company’s Shares prior to the announcement); (ii) a discount of approximately 9.41% to the average closing price of HK\$2.02 per Share as quoted on the Stock Exchange for the last five trading days up to and including the last trading date; and (iii) a discount of approximately 4.69% to the average closing price of HK\$1.92 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the last trading date.
- (b) the Vendors would subscribe the same number of Shares in the Company at HK\$1.83 per Share (the “Subscription”)

The Placing and the Subscription were completed on 20 October 2010 and the net proceeds to the Company as a result of the Subscription was approximately HK\$231.3 million.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS OF VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 25, which comprises the condensed consolidated statement of financial position of Victory City International Holdings Limited and its subsidiaries (collectively referred to as the "Group") as of 30 September 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 29 November 2010

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The global economy has shown resilience with positive signs of recovery during the first half of fiscal year 2010/2011. However, for export oriented textile industries in the PRC, the operating environment is still understandably difficult as the price of our major raw material, cotton yarn, escalated and the major trade currency Renminbi (“RMB”) underwent a sharp and extensive appreciation. Nevertheless, the Group attained an encouraging operating and financial performance amidst unfavourable market conditions, thereby demonstrating our leading presence as a premium textile manufacturer and supplier.

For the six months ended 30 September 2010, the Group’s unaudited consolidated revenue was HK\$2,143 million, representing a stable growth of 10.4% as compared with the previous corresponding period (2009: HK\$1,942 million). Profit attributable to owners of the Company was HK\$164.6 million, which included the net gain on fair value changes of derivative financial instruments and structured borrowings of HK\$5.0 million (2009: HK\$27.8 million) and the one-off listing expenses incurred on the spin-off of its garment business segment of HK\$13.1 million. Hence, profit from normal operations was HK\$166.3 million after adjusting the above-mentioned non-operation gains and losses, representing a growth of 18.4% as compared with that of the same period last year (2009: HK\$140.5 million). The increase was mainly attributable to resilient order flow from our long-term clients and the management’s dedicated efforts in maintaining stringent cost control.



During the period under review, escalating cotton prices continued to overwhelm the well-being of the overall textile industry, which in return has inevitably affected our profit margins. However, due to our large operational scale and prudent cash flow management, the Group persevered against such harsh economic conditions by implementing a series of strategies to offset the negative cost impact. Since the fourth quarter of 2009, the Group has been proactively purchasing cotton yarn in advance to “lock-in” cotton costs. In addition, the Group exercised prudent yarn inventory control by giving preference to high margin orders to maximize profitability.

The proactive strategies were successful in neutralizing the rising cost and maintaining our margins at a stable level. Furthermore, the Group was able to leverage on our strong bargaining power to pass on most, if not all, of our increased raw material costs to our customers by increasing our overall selling prices, thus further bringing down our pressure on margins.

The continuous RMB appreciation has also exerted significant pressure on the overall textile industry; however as a result of the Group’s well-balanced sales mix between the PRC and overseas markets, a natural hedge was created and successfully mitigated the risks of currency exposure. Furthermore, market consolidation is anticipated as rising costs will dissolve many small and medium-sized enterprises which are incapable of meeting the increasing financial burden, thereby rendering new business opportunities for the Group to pursue and provide ample room for future market share growth in the long-run.

BUSINESS REVIEW AND PROSPECTS

The Group has successfully executed two long-planned strategies in the capital market during the period under review. Firstly, we spun off our garment division, Ford Glory Group Holdings Limited ("FGG"), and this strategic move facilitated the Group's undivided concentration on its core upstream textile business. Secondly, in fulfilling the need for long-term development, the Group raised approximately HK\$231.3 million through a placing of 130,000,000 new shares at HK\$1.83 per share in October 2010. Investors' positive response coupled with the successful spin-off of FGG has improved the Group's capital structure as well as boosted our financial position.

OUTLOOK

Looking ahead, the overall business outlook will remain difficult and challenging as the textile industry growth rate is anticipated to slow down for the remaining fiscal year 2010/2011 due to cotton price fluctuations and cautious consumption behavior from end-buyers. Furthermore, cotton prices may stay high and volatile and RMB will unlikely to retreat noticeably in the near future. However, with our strong foundation and core competence, the management is confident that the Group is well-positioned to overcome any challenges and capitalize on all value-enhancing opportunities.

In line with our corporate vision of being a worldwide premium supplier of choice for textile products, the Group is adamant to dedicate all its effort to improve and streamline its operational efficiency and enforce stringent cost controls as to achieve sustainable profitability and further milestones for its shareholders in the long-run.

FINANCIAL REVIEW

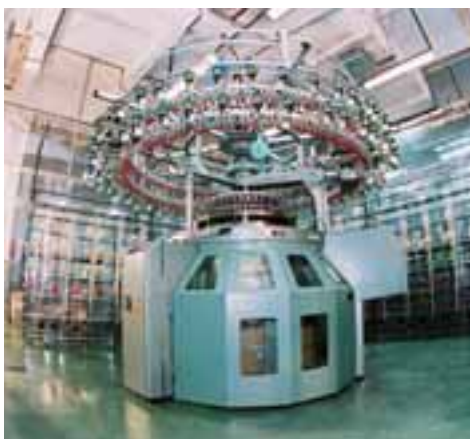
Liquidity and Financial Resources

As at 30 September 2010, the Group had total assets of HK\$5,845,653,000 (31 March 2010: HK\$5,704,997,000) which were financed by current liabilities of HK\$1,569,270,000 (31 March 2010: HK\$1,458,632,000), long term liabilities of HK\$940,552,000 (31 March 2010: HK\$1,026,313,000) and shareholders' equity of HK\$3,199,907,000 (31 March 2010: HK\$3,077,840,000) The current ratio was approximately 2.3 (31 March 2010: 2.3) and the gearing ratio, being the ratio of total borrowings (excluding bills discounted and debts factored, and net of bank balances and cash) to shareholders' funds was 33% (31 March 2010: 35%). 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.



BUSINESS REVIEW AND PROSPECTS

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, RMB 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\$27 million (six months ended 30 September 2009: HK\$37 million) on additions to property, plant and equipment.

As at 30 September 2010, the Group had capital commitments of approximately HK\$41.6 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 2010, certain property, plant and equipment and prepaid lease payments of the Group with net book value of approximately HK\$59 million (31 March 2010: approximately HK\$75 million) were pledged to banks to secure banking facilities granted.



Employee Information

As at 30 September 2010, total number of employees of the Group were approximately 165 in Hong Kong and Macau, approximately 5 in the USA and Canada, approximately 1,135 in Indonesia and approximately 5,900 in the PRC. Remuneration packages are generally structured by 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 in the growth of the Group.

OTHER DISCLOSURES

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK3.0 cents (2010: HK2.0 cents) per share of the Company for the period ended 30 September 2010. The interim dividend will be payable on or about 4 March 2011 to shareholders whose names appear on the register of members of the Company on 7 January 2011 with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the period ended 30 September 2010, the register of members of the Company will be closed from 5 January 2011 to 7 January 2011 both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the interim dividend for the period ended 30 September 2010, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road West, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 4 January 2011.

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

As at 30 September 2010, 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 (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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
Li Ming Hung	The Company	Founder of a trust	175,788,682 ordinary shares of HK\$0.01 each of the Company ("Shares") (L) (Note 2)	–	16.5% (Note 21)
	The Company	Beneficial owner	13,868,000 Shares (L)	–	1.3%
	The Company	Beneficial owner	–	1,599,737 Shares (L) (Note 4)	0.15%
	Victory City Company Limited (Note 19)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 19)	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	175,788,682 Shares (L) (Note 3)	–	16.5% (Note 21)
	The Company	Beneficial owner	15,555,000 Shares (L)	–	1.46%

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
	The Company	Beneficial owner	–	1,599,737 Shares (L) (Note 4)	0.15%
	Victory City Company Limited (Note 19)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 19)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
Choi Lin Hung	The Company	Beneficial owner	7,980,000 Shares (L)	–	0.75%
	The Company	Beneficial owner	–	9,598,419 Shares (L) (Note 5)	0.9%
	Victory City Overseas Limited (Note 19)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	–	21.2%
	Ford Glory Group Holdings Limited (Note 19)	Interest of controlled corporation	2,000,000 ordinary shares of HK\$0.01 each (L) (Note 6)	–	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
	Sure Strategy Limited (Note 19)	Interest of controlled corporation	49 ordinary shares of US\$1.00 each (L) (Note 7)	–	49%
	Ford Glory Holdings Limited (Note 19)	Interest of controlled corporation	100 shares of US\$1.00 each (L) (Note 8)	–	100%
	Brilliant Fashion Inc. (Note 19)	Interest of controlled corporation	100 common shares of no par value (L) (Note 14)	–	100%
	CSG Apparel Inc. (Note 19)	Interest of controlled corporation	One common stock of CAD1.00 (L) (Note 9)	–	100%
	Ford Glory International Limited (Note 19)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 15)	–	100%
	Glory Time Limited (Note 19)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 13)	–	70%

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
	Mayer Apparel Limited (Note 19)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 12)	–	51%
	PT. Victory Apparel Semarang (Note 19)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) (Note 11)	–	100%
	Surefaith Limited (Note 19)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 15)	–	100%
	Top Star Limited (Note 19)	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) (Note 15)	–	100%
	Top Value Inc. (Note 19)	Interest of controlled corporation	200 common shares of no par value (L) (Note 14)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 19)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 16)	–	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
	Victory Apparel (Jordan) Manufacturing Company Ltd. (Note 19)	Interest of controlled corporation	50,000 ordinary shares of JD\$1.00 each (L) (Note 10)	–	100%
	Wealth Choice Limited (Note 19)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 15)	–	100%
	福之源貿易 (上海) 有限公司 (Note 19)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 9)	–	100%
	Gojifashion Inc. (Note 20)	Interest of controlled corporation	100 common shares of no par value (L) (Note 14)	–	50%
	Happy Noble Holdings Limited (Note 19)	Interest of controlled corporation	70 ordinary shares of US\$1.00 each (L) (Note 15)	–	100%
	Sky Winner Investment Limited (Note 19)	Interest of controlled corporation	100 ordinary shares of HK\$1.00 each (L) (Note 17)	–	100%
	福源創業信息諮詢服務 (深圳)有限公司 (Note 19)	Interest of controlled corporation	Registered capital of HK\$3,000,000 (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 19)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 15)	–	100%
	江門冠暉製衣有限公司 (Note 19)	Interest of controlled corporation	Registered capital of HK\$30,000,000 (L) (Note 18)	–	100%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	9,598,419 Shares (L) (Note 5)	0.9%
Phaisalakani Vichai	The Company	Beneficial owner	300,000 Shares (L)	–	0.03%

Notes:

- The letter "L" represents the Director's interests in the share and underlying shares of the Company or its associated corporations.
- These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family.
- These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family.
- On 9 October 2003, each of Messrs. Li Ming Hung and Chen Tien Tui were granted 500,000 options under the option scheme of the Company to subscribe for 500,000 Shares, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.85 and 533,246 respectively upon the rights issue of the Company ("Rights Issue") becoming unconditional on 13 January 2009 for each of Messrs. Li Ming Hung and Chen Tien Tui.

On 7 June 2004, Messrs. Li Ming Hung and Chen Tien Tui were granted options under the share option scheme of the Company to subscribe for 1,000,000 Shares and 1,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.95 and 1,066,491 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Messrs. Li Ming Hung and Chen Tien Tui.

OTHER DISCLOSURES

5. On 23 May 2003, Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy were granted 1,500,000 and 1,500,000 options respectively under the share option scheme of the Company to subscribe for 1,500,000 Shares and 1,500,000 Shares respectively, exercisable at a price of HK\$2.35 per Share during a period from 27 May 2003 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.20 and 1,599,736 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy.

On 9 October 2003, Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy were granted options under the share option scheme of the Company to subscribe for 3,500,000 Shares and 3,500,000 Shares, respectively, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011. The exercise price per Share and number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.85 and 3,732,719 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy.

On 7 June 2004, Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy were granted options under the share option scheme of the Company to subscribe for 4,000,000 Shares and 4,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK\$2.95 and 4,265,964 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy.

6. These shares were held by Sure Strategy Limited, which was owned as to 49% by Merlotte Enterprise Limited, a wholly-owned subsidiary of Mr. Choi Lin Hung, and as to 51% by Victory City Investments Limited, a wholly-owned subsidiary of the Company.
7. These shares were held by Merlotte Enterprise Limited, a wholly-owned subsidiary of Mr. Choi Lin Hung.
8. These shares, representing the entire issued share capital of Ford Glory Holdings Limited, were held by Ford Glory Group Holdings Limited.
9. This common stock or, as the case may be, registered capital was beneficially owned by Ford Glory International Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
10. These shares was beneficially owned by Wealth Choice Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
11. These shares was beneficially owned by Surefaith Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
12. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.

13. Glory Time Limited is 70% owned by Ford Glory Holdings Limited.
14. These common shares were beneficially owned by Ford Glory Holdings Limited.
15. These shares were beneficially owned by Ford Glory Holdings Limited.
16. This quota capital was beneficially owned by Ford Glory Holdings Limited.
17. These shares were held by Happy Noble Holdings Limited.
18. The registered capital was beneficially owned as to 40% by Ford Glory Holdings Limited and as to 60% by Rocwide Limited.
19. These companies are subsidiaries of the Company.
20. Although this company is not a subsidiary of the Company, it is an associated corporation (within the meaning of Part XV of the SFO) of the Company.
21. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately hold over 30% of the voting share capital of the Company, which complied with the condition of syndicated loan.

Save as disclosed above in this report, as at 30 September 2010, 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 the Listing Rules.

OTHER DISCLOSURES

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

As at 30 September 2010, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiring by the Directors, the following persons (other than Directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares of the Company 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	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Pearl Garden Pacific Limited	175,788,682 (L)	Beneficial owner (Note 2)	16.52%
Cornice Worldwide Limited	175,788,682 (L)	Interest of controlled corporation (Note 2)	16.52%
Madian Star Limited	175,788,682 (L)	Beneficial owner (Note 3)	16.52%
Yonice Limited	175,788,682 (L)	Interest of controlled corporation (Note 3)	16.52%
Trustcorp Limited	351,577,364 (L)	Trustee (Notes 2, 3 & 4)	33.04%
Newcorp Ltd.	351,577,364 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	33.04%
Ho Yuen Mui, Shirley	191,256,419 (L)	Interest of spouse (Note 5)	17.97%
Or Kwai Ying	192,943,419 (L)	Interest of spouse (Note 6)	18.13%
Templeton Asset Management Limited	181,725,571 (L)	Investment manager	17.08%

OTHER DISCLOSURES

Notes:

1. The letter "L" represents the person's interests in the Shares and underlying Shares.
2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Li Ming Hung's family. Mr. Chen Tien Tui is a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited.
3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Chen Tien Tui's family. Mr. Li Ming Hung is a director of Madian Star Limited and Yonice Limited.
4. Trustcorp Limited is wholly owned by Newcorp Ltd.
5. Ms. Ho Yuen Mui, Shirley is the wife of Mr. Li Ming Hung.
6. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.

Save as disclosed above, so far as is known to the Directors, as at 30 September 2010, there was no person (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 in the Company (including interest in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

Pursuant to ordinary resolutions passed at the special general meeting of the Company held on 30 November 2001, the share option scheme adopted by the Company pursuant to an ordinary resolution passed at the special general meeting held on 22 April 1996 was terminated and the existing share option scheme (the "Scheme") of the Company was adopted.

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

OTHER DISCLOSURES

Class of grantee	Date of grant	Number of underlying shares in the Company				Outstanding	Outstanding	Exercise price per share (HK\$)	Exercise period
		Granted	Exercised	Cancelled	Lapsed	as at 1 April 2010	as at 30 September 2010		
Directors (Note 1)	27/05/2003	-	-	-	-	3,199,472	3,199,472	2.20	27/05/2003 to 29/11/2011
	20/10/2003	-	-	-	-	8,531,930	8,531,930	2.85	09/10/2004 to 29/11/2011
	07/06/2004	-	-	-	-	10,664,910	10,664,910	2.95	07/06/2004 to 29/11/2011
Other employees (Note 2)	27/05/2003	-	-	-	-	24,635,947	24,635,947	2.20	27/05/2003 to 29/11/2011
	20/10/2003	-	-	-	-	40,100,066	40,100,066	2.85	09/10/2004 to 29/11/2011
	07/06/2004	-	-	-	-	40,420,013	40,420,013	2.95	07/06/2004 to 29/11/2011

Notes:

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

OTHER DISCLOSURES

Ford Glory Group Holdings Limited (“FGG”), a non-wholly owned subsidiary of the Company, has conditionally adopted a share option scheme (the “FGG Share Option Scheme”) on 2 June 2010. The FGG Share Option Scheme became effective upon listing of FGG’s shares on the Stock Exchange. Under the FGG Share Option Scheme, the directors of FGG are authorized, at their

absolute discretion, to invite any employees, directors and other selected participants of FGG, to take up options to subscribe for shares of FGG.

Details of the options to subscribe for shares of FGG granted under the FGG Share Option Scheme for the period under review are as follows:

Class of grantee	Date of grant	Number of underlying shares in FGG				Outstanding	Exercise price per share (HK\$)	Exercise period	
		Granted	Exercised	Cancelled	Lapsed	Outstanding as at 1 April 2010			
Ng Tze On (Note 1)	02/06/2010	5,350,000	–	–	–	–	5,350,000	0.60	05/10/2012 to 31/05/2020
Lau Kwok Wa, Stanley (Note 1)	02/06/2010	5,350,000	–	–	–	–	5,350,000	0.60	05/10/2012 to 31/05/2020
Ng Tsze Lun (Note 2)	02/06/2010	21,000,000	–	–	–	–	21,000,000	0.60	05/10/2012 to 31/05/2020
Other employees (Note 3)	02/06/2010	10,200,000	–	–	–	–	10,200,000	0.60	05/10/2012 to 31/05/2020

Notes:

- Each of Mr. Ng Tze On and Mr. Lau Kwok Wa, Stanley is an executive director of FGG. Such grant of option to each of Mr. Ng Tze On and Mr. Lau Kwok Wa, Stanley was approved by a resolution in writing passed by all then shareholders of FGG and approved by the shareholders of the Company on 28 July 2010.
- Mr. Ng Tsze Lun is the marketing director of Ford Glory International Limited, a wholly-owned subsidiary of FGG, who was granted 21,000,000 options which exceeded the individual limit as set out in note to Rule 17.03(4) of the Listing Rules. Such grant of option to Mr. Ng Tsze Lun to subscribe for 21,000,000 shares of FGG was approved by a resolution in writing passed by all then shareholders of FGG and approved by the shareholders of the Company on 28 July 2010.
- Other employees include employees of FGG (other than the directors) working under employment contracts with FGG which are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Cap.57 of the Laws of Hong Kong).

OTHER DISCLOSURES

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

During the six months ended 30 September 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the six months ended 30 September 2010 with the code provisions set out in the Code on Corporate Governance Practices (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 2010.

AUDIT COMMITTEE

The board of Directors has established an audit committee ("Committee") with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Committee are to review the Group's financial reporting process, internal control system and the Group's financial statements.

The Committee comprises the three independent nonexecutive 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 2010 and is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

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

Li Ming Hung
Chairman

Hong Kong, 29 November 2010



VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司

www.victorycity.com.hk