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

(Incorporated in Bermuda with limited liability)

(Stock code: 539)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

RESULTS

The directors (the "Directors") of Victory City International Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2018. The interim results of the Group have been reviewed by the Company's auditor in accordance with the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim results of the Group have also been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018

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

	Note	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Current liabilities			
Trade and bills payables	11	**492,315**	483,676
Other payables and accruals		**120,570**	158,000
Contract liabilities		**7,833**	—
Dividend payable		**50,506**	191
Taxation payable		**86,229**	78,303
Derivative financial instruments		**893**	1,599
Bank borrowings — amount due within one year		**2,273,910**	2,304,847
Convertible bonds		**379,394**	369,804
		3,411,650	3,396,420
Net current assets		**4,274,816**	4,769,537
Total assets less current liabilities		**9,194,610**	9,948,876
Capital and reserves			
Share capital		**50,317**	50,317
Reserves		**6,193,153**	6,884,330
Equity attributable to owners of the Company		**6,243,470**	6,934,647
Non-controlling interests		**24,135**	39,289
Total equity		**6,267,605**	6,973,936
Non-current liabilities			
Bank borrowings — amount due after one year		**2,828,197**	2,872,458
Deferred tax liabilities		**98,808**	102,482
		2,927,005	2,974,940
		9,194,610	9,948,876

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

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

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

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

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

The Group recognises revenue from the following major sources:

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

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

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

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

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

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

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

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

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

Summary of effects arising from initial application of HKFRS 15

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

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

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

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

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

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

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

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments

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

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

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

Summary of effects arising from initial application of HKFRS 9

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

	Available-for-sale investments *HK$'000*	Other non-current asset *HK$'000*	Equity instruments at fair value through other comprehensive income *HK$'000*	Financial assets at fair value through profit or loss *HK$'000*	Investments revaluation reserve *HK$'000*	Accumulated profits *HK$'000*
Closing balance at 31 March 2018 — HKAS 39	19,835	114,775	—	—	(1,255)	(3,195,632)
Effect arising from initial application of HKFRS 9:						
Reclassification						
From available-for-sale investments	(19,835)	—	17,500	2,335	1,255	(1,255)
From other non-current assets	—	(114,775)	—	114,775	—	—
Remeasurement						
Remeasurement at fair value	—	—	—	5,065	—	(5,065)
Opening balance at 1 April 2018	—	—	17,500	122,175	—	(3,201,952)

3. REVENUE AND SEGMENT INFORMATION

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

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

(i) Knitted fabric and dyed yarn — Production and sale of knitted fabric and dyed yarn

(ii) Garment products — Production and sale of garment products

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

Six months ended 30 September 2018

	Knitted fabric and dyed yarn *HK$'000*	**Garment products** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
REVENUE				
External sales	**2,524,271**	**200,237**	**—**	**2,724,508**
Inter-segment sales	**9,686**	**—**	**(9,686)**	**—**
Segment revenue	**2,533,957**	**200,237**	**(9,686)**	**2,724,508**
Timing of revenue recognition				
At a point of time	**2,533,957**	**200,237**	**(9,686)**	**2,724,508**
RESULTS				
Segment results	**254,303**	**(8,919)**	**—**	**245,384**
Unallocated corporate income				**25,008**
Other gains and losses				**(8,323)**
Unallocated corporate expenses				**(7,448)**
Finance costs				**(105,932)**
Profit before taxation				**148,689**

Six months ended 30 September 2017

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales	2,287,911	259,556	—	2,547,467
Inter-segment sales	14,626	—	(14,626)	—
Segment revenue	2,302,537	259,556	(14,626)	2,547,467
RESULTS				
Segment results	200,422	(6,385)	—	194,037
Unallocated corporate income				36,287
Other gains and losses				54,150
Unallocated corporate expenses				(8,129)
Finance costs				(68,535)
Profit before taxation				207,810

Segment results represent the profit earned by each segment without allocation of interest income, rental income, impairment loss recognised on goodwill, net gain/loss on fair value change of derivative financial instruments, charge on early termination of a derivative financial instrument, gain on fair value change of financial assets at fair value through profit and loss, net loss on disposal of property, plant and equipment, gain on fair value change of investment properties, central administration costs and finance costs. This is the measure reported to the executive Directors for the purposes of resource allocation and performance evaluation. Inter-segment sales are charged at the prevailing market rate.

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

4. OTHER GAINS AND LOSSES

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

5. INCOME TAX EXPENSE

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

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%.

EIT in the PRC is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC for both periods, except for one (six months ended 30 September 2017: Nil) PRC subsidiary which qualifies as High New Technology Enterprises and enjoys a preferential tax rate of 15% for current year. The preferential tax rate is applicable for three years until December 2019 and subject to renewal, as determined in accordance with relevant income tax rules and regulations in the PRC.

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

6. PROFIT FOR THE PERIOD

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

7. DISTRIBUTION

During the six months ended 30 September 2018, a final dividend of HK1.0 cent per share in respect of the year ended 31 March 2018, in cash with a scrip dividend option, was declared to the shareholders of the Company.

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

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**136,999**	192,806
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**19,699**	833
Earnings for the purpose of diluted earnings per share	**156,698**	193,639
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,031,744**	4,193,744
Effect of dilutive potential ordinary shares:		
Convertible bonds	**1,333,333**	65,574
Scrip dividend option	**74,452**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,439,529**	4,259,318

The computation of diluted earnings per share for the both periods does not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for both periods.

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

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

The Group's investment properties at the end of the current interim period were fair-valued by Roma Appraisals Limited, an independent firm of valuers not connected with the Group. The valuation was determined using the depreciated replacement costs approach, income approach, or by reference to recent market prices and market rental for similar properties in similar locations and conditions, where appropriate. During the current interim period, the Group recognised net increase in the fair value of investment properties of HK$2,114,000 (six months ended 30 September 2017: HK$950,000) in profit or loss.

10. TRADE AND BILLS RECEIVABLES

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

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

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

11. TRADE AND BILLS PAYABLES

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

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
0–60 days	**268,865**	240,383
61–90 days	**108,733**	138,179
91–120 days	**86,785**	93,760
Over 120 days	**27,932**	11,354
	492,315	483,676

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

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

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

Textile Business

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

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

Garment Business

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

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

PROSPECTS

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

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

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

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

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2018, the Group had total assets of approximately HK$12,606 million (31 March 2018: HK$13,345 million) which were financed by current liabilities of approximately HK$3,412 million (31 March 2018: HK$3,396 million), long term liabilities of approximately HK$2,927 million (31 March 2018: HK$2,975 million) and shareholders' equity of approximately HK$6,243 million (31 March 2018: HK$6,935 million). The current ratio was approximately 2.3 (31 March 2018: 2.4) and the gearing ratio, being defined as net debt (representing by total bank borrowings net of cash and cash equivalents) to shareholders' funds, was approximately 40.0% (31 March 2018: 33.4%). All of the Group's borrowings were at floating rate basis.

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

Foreign Exchange and Interest Rate Risks

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

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

Capital Expenditure

During the period, the Group invested approximately HK$367 million (1H2017: HK$308 million) on additions to property, plant and equipment.

As at 30 September 2018, the Group had capital commitments of approximately HK$64 million (31 March 2018: HK$108 million) in respect of acquisition of new machinery and construction of new factory plants, which are financed by long-term bank borrowings.

Charges on Assets

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

Employee Information

As at 30 September 2018, the total number of employees of the Group was approximately 1,130 in Cambodia, approximately 1,030 in Indonesia, approximately 4,340 in the PRC and approximately 110 in Hong Kong, Macau and other places. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

EVENTS AFTER THE REPORTING PERIOD

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

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had complied throughout the six months ended 30 September 2018 with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

The Company has adopted a code of conduct (the "Code of Conduct") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Upon receiving specific enquiries from the Company, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 September 2018.

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

Hong Kong, 28 November 2018

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

* *for identification purposes only*