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

(Incorporated in Bermuda with limited liability)
(Stock code: 539)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2017

RESULTS

The directors (the "Directors") of Victory City International Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2017 (which have been reviewed by the audit committee of the Company) with comparative figures of the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	2	**4,939,904**	4,911,216
Cost of sales		**(4,098,471)**	(4,038,277)
Gross profit		**841,433**	872,939
Other income		**88,749**	122,554
Other gains and losses	3	**(127,458)**	(38,658)
Distribution and selling expenses		**(106,326)**	(101,198)
General and administrative expenses		**(414,251)**	(432,840)
Equity-settled share-based payments		**(21,246)**	—
Finance costs		**(143,019)**	(140,397)
Gain on disposal of subsidiaries	10	**19,850**	—
Profit before taxation		**137,732**	282,400
Income tax expense	4	**(24,156)**	(32,880)
Profit for the year	5	**113,576**	249,520

	Note	2017 HK$'000	2016 HK$'000
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(505,809)**	(311,851)
Fair value change of an available-for-sale investment		**320**	(48)
Reclassification of translation reserve upon disposal of subsidiaries		**9**	—
		(505,480)	(311,899)
Item that will not be subsequently reclassified to profit or loss:			
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		**4,789**	6,320
Other comprehensive expense for the year		**(500,691)**	(305,579)
Total comprehensive expense for the year		**(387,115)**	(56,059)
Profit (loss) for the year attributable to:			
Owners of the Company		**135,526**	241,811
Non-controlling interests		**(21,950)**	7,709
		113,576	249,520
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(365,311)**	(65,405)
Non-controlling interests		**(21,804)**	9,346
		(387,115)	(56,059)
Earnings per share	7		
Basic		**HK4.5 cents**	HK11.9 cents
Diluted		**HK4.5 cents**	HK11.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**3,693,182**	3,530,629
Prepaid lease payments		**188,018**	193,322
Investment properties		**154,656**	164,657
Goodwill		**6,185**	6,614
Intangible asset		**—**	—
Interest in a joint venture		**—**	—
Restricted bank deposit		**60,136**	60,324
Deferred tax assets		**4,197**	2,433
Deposit paid for acquisition of property, plant and equipment		**10,251**	30,894
Other assets		**26,040**	26,040
		4,142,665	4,014,913
Current assets			
Inventories		**2,991,234**	2,767,820
Trade and bills receivables	8	**1,855,728**	1,720,070
Deposits, prepayments and other receivables		**179,448**	178,197
Prepaid lease payments		**4,744**	4,815
Derivative financial instrument		**529**	—
Available-for-sale investments		**17,924**	1,694
Taxation recoverable		**7,804**	526
Bank balances and cash		**2,725,090**	2,111,088
		7,782,501	6,784,210
Current liabilities			
Trade and bills payables	9	**636,193**	397,117
Other payables and accruals		**163,757**	134,597
Dividend payable		**191**	197
Taxation payable		**74,187**	72,794
Derivative financial instruments		**155,124**	126,782
Bank borrowings — amount due within one year		**2,759,445**	1,849,123
		3,788,897	2,580,610
Net current assets		**3,993,604**	4,203,600
Total assets less current liabilities		**8,136,269**	8,218,513

	2017	2016
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**41,937**	22,722
Reserves	**5,658,172**	5,437,842
Equity attributable to owners of the Company	**5,700,109**	5,460,564
Non-controlling interests	**57,154**	154,034
Total equity	**5,757,263**	5,614,598
Non-current liabilities		
Bank borrowings — amount due after one year	**2,292,621**	2,516,491
Deferred tax liabilities	**86,385**	87,424
	2,379,006	2,603,915
	8,136,269	8,218,513

Notes:

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 "Disclosure Initiative"

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. Information to capital risk management and financial instruments was reordered in the consolidated financial statements. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs and an interpretation in issue but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
HKFRS 16	Leases[3]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[4]

[1] Effective for annual periods beginning on or after 1 January 2017.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods beginning on or after 1 January 2019.
[4] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
[5] Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured at fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$31,535,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 April 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The Directors anticipate that the application of the other new and amendments to HKFRSs and an interpretation will have no material impact on the consolidated financial statements.

2. SEGMENT INFORMATION

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

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

(i) Knitted fabric and dyed yarn — Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services

(ii) Garment products — Production and sale of garment products and provision of quality inspection services

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

Year ended 31 March 2017

	Knitted fabric and dyed yarn *HK$'000*	**Garment products** *HK$'000*	**Segment total** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated total** *HK$'000*
REVENUE					
External sales	**4,252,452**	**687,452**	**4,939,904**	**—**	**4,939,904**
Inter-segment sales	**40,575**	**—**	**40,575**	**(40,575)**	**—**
Segment revenue	**4,293,027**	**687,452**	**4,980,479**	**(40,575)**	**4,939,904**
RESULTS					
Segment operating results	**387,819**	**(14,169)**	**373,650**	**—**	**373,650**
Gain on disposal of subsidiaries	**—**	**19,850**	**19,850**	**—**	**19,850**
Segment results	**387,819**	**5,681**	**393,500**	**—**	**393,500**
Unallocated corporate income					**61,720**
Other gains and losses					**(127,414)**
Unallocated corporate expenses					**(47,055)**
Finance costs					**(143,019)**
Profit before taxation					**137,732**

Year ended 31 March 2016

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated total *HK$'000*
REVENUE					
External sales	4,100,317	810,899	4,911,216	—	4,911,216
Inter-segment sales	44,483	—	44,483	(44,483)	—
Segment revenue	4,144,800	810,899	4,955,699	(44,483)	4,911,216
RESULTS					
Segment results	355,904	32,916	388,820	—	388,820
Unallocated corporate income					75,941
Other gains and losses					(26,346)
Unallocated corporate expenses					(15,618)
Finance costs					(140,397)
Profit before taxation					282,400

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of interest income, rental income, net loss/gain on disposal of property, plant and equipment, gain on fair value change of investment properties, net loss on fair value change of derivative financial instruments, loss on fair value change of restricted bank deposit, central administration costs and finance costs. This is the measure reported to the executive Directors for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at the prevailing market rate.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 31 March 2017

	Knitted fabric and dyed yarn ***HK$'000***	**Garment products** ***HK$'000***	**Consolidated total** ***HK$'000***
ASSETS			
Segment assets	**8,414,978**	**469,207**	**8,884,185**
Unallocated assets			**3,040,981**
Consolidated total assets			**11,925,166**
LIABILITIES			
Segment liabilities	**662,314**	**137,827**	**800,141**
Unallocated liabilities			**5,367,762**
Consolidated total liabilities			**6,167,903**

At 31 March 2016

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated total *HK$'000*
ASSETS			
Segment assets	7,725,408	664,703	8,390,111
Unallocated assets			2,409,012
Consolidated total assets			10,799,123
LIABILITIES			
Segment liabilities	431,799	97,027	528,826
Unallocated liabilities			4,655,699
Consolidated total liabilities			5,184,525

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, derivative financial instrument, available-for-sale investments, taxation recoverable, investment properties, deferred tax assets, corporate assets and assets of non-core businesses, and
- all liabilities are allocated to operating segments other than current and deferred tax liabilities, bank borrowings, derivative financial instruments, corporate liabilities and liabilities of non-core businesses.

Other segment information

Year ended 31 March 2017

	Knitted fabric and dyed yarn ***HK$'000***	**Garment products** ***HK$'000***	**Consolidated total** ***HK$'000***
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets *(Note)*	**672,414**	**5,192**	**677,606**
Depreciation of property, plant and equipment	**280,138**	**15,453**	**295,591**
Net (gain) loss on disposal of property, plant and equipment	**(159)**	**952**	**793**
Release of prepaid lease payments	**4,681**	**96**	**4,777**

Year ended 31 March 2016

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets *(Note)*	765,678	22,542	788,220
Depreciation of property, plant and equipment	245,149	19,555	264,704
Net (gain) loss on disposal of property, plant and equipment	(216)	131	(85)
Release of prepaid lease payments	4,763	81	4,844
Impairment loss on trade receivables	2,167	—	2,167
Write-down of inventories	—	18	18

Note: Amounts represented additions to property, plant and equipment.

No other amounts are regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets.

Geographical information

The Group's operations are mainly located in Hong Kong and the People's Republic of China ("PRC").

The Group's revenue from external customers by location of customers and information about its non-current assets (excluding restricted bank deposit, deferred tax assets and other assets) by geographic location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**548,997**	588,023	**97,021**	89,408
PRC	**2,602,645**	2,299,406	**3,928,921**	3,773,950
Bangladesh	**445,044**	452,490	**—**	—
United States of America ("US")	**444,163**	657,870	**—**	—
Korea	**371,722**	419,459	**—**	—
Taiwan	**265,232**	232,043	**—**	—
Singapore	**86,904**	85,299	**—**	—
Germany	**31,010**	70,769	**—**	—
Canada	**25,108**	—	**—**	—
Others	**119,079**	105,857	**26,350**	62,758
	4,939,904	4,911,216	**4,052,292**	3,926,116

Information about major customers

None of the customers individually contributed over 10% of the Group's total annual revenue for the years ended 31 March 2017 and 2016.

Information about products and services

The Group's revenue represents sale of knitted fabric, dyed yarn and garment products, provision of garment products related subcontracting and quality inspection services. No information about products and service is presented as the information is not available and the cost to develop such information would be excessive.

3. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Net loss on fair value change of derivative financial instruments	**127,224**	26,212
Net loss (gain) on disposal of property, plant and equipment	**793**	(85)
Loss on fair value change of a restricted bank deposit	**188**	834
Net foreign exchange losses	**43**	10,230
Gain on fair value change of investment properties	**(790)**	(700)
Impairment loss on trade receivables	**—**	2,167
	127,458	38,658

4. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Current year		
— Hong Kong Profits Tax	**—**	9,155
— PRC Enterprise Income Tax ("EIT")	**21,844**	21,889
— Overseas income tax	**—**	125
	21,844	31,169
Under(over)provision in respect of prior years	**57**	(2,152)
	21,901	29,017
Deferred taxation		
Current year	**2,255**	3,863
	24,156	32,880

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

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 years, as determined in accordance with relevant income tax rules and regulation in the PRC.

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

5. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**25,022**	21,848
Other staff costs	**493,106**	593,653
Total staff costs	**518,128**	615,501
Auditor's remuneration	**3,636**	3,780
Depreciation of property, plant and equipment	**295,591**	264,704
Release of prepaid lease payments	**4,777**	4,844
Write-down of inventories (included in cost of sales)	**—**	18
and after crediting:		
Bank interest income	**35,017**	50,575
Government grants	**616**	4,758
Rental income from investment properties, and plant and machinery (net of negligible outgoings)	**26,703**	25,366

Included in the other staff costs is an aggregate amount of HK$38,013,000 (2016: HK$47,689,000) in respect of contributions to retirement benefits schemes made by the Group and HK$17,941,000 (2016: Nil) in respect of equity-settled share-based payments.

The cost of inventories recognised as an expense approximates the cost of sales as disclosed in the consolidated statement of profit or loss and other comprehensive income for both years.

6. DISTRIBUTIONS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2016 interim dividend of HK4.0 cents (2017: Nil) per ordinary share	**—**	87,348
2016 final dividend of HK1.0 cent (2016: 2015 final dividend of HK3.0 cents and special dividend of HK4.0 cents) per ordinary share	**27,722**	130,523
	27,722	217,871

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: HK1.0 cent per share, in cash with a scrip option).

7. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**135,526**	241,811
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,042,668,232**	2,025,445,105
Effect of dilutive potential ordinary shares:		
Company's share options	**—**	24,945,146
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,042,668,232**	2,050,390,251

The computation of diluted earnings per share for the current year does not assume the exercise of the Company's outstanding share options as the relevant exercise price of those options were higher than the average market price for the current year.

The effect of the rights issue during the year has been considered in the computation of earnings per share. No adjustment to the earnings per share for the year ended 31 March 2016 is considered necessary.

8. TRADE AND BILLS RECEIVABLES

The Group generally allows its trade customers a credit period of 30 to 120 days.

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

	2017	2016
	HK$'000	*HK$'000*
0–60 days	**1,209,205**	1,104,123
61–90 days	**371,831**	380,297
91–120 days	**189,653**	160,765
Over 120 days	**85,039**	74,885
	1,855,728	1,720,070

9. 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:

	2017	2016
	HK$'000	*HK$'000*
0–60 days	**322,054**	259,220
61–90 days	**106,280**	89,400
91–120 days	**139,861**	31,876
Over 120 days	**67,998**	16,621
	636,193	397,117

The credit period for purchase of goods is 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit periods granted.

10. DISPOSAL OF SUBSIDIARIES

On 13 July 2016, Victory City Investments Limited ("VC Investments"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Purchaser conditionally agreed to purchase and VC Investments conditionally agreed to sell its entire 51% equity interest in RS International Holdings Limited and its subsidiaries (collectively referred to as the "RS Group") at a cash consideration of HK$98,000,000. The RS Group is principally engaged in the manufacturing of garment products in Jordan. The disposal was completed on 1 August 2016 and the RS Group ceased to be subsidiaries of the Group. Disposal-related costs amounting to HK$162,000 were excluded from the consideration received and recognised as an expense in the consolidated statement of profit or loss.

Further details of the consideration and assets and liabilities disposed of in respect of the RS Group at the date of the disposal were as follows:

	HK$'000
Consideration:	
Cash received	**98,000**
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	**27,910**
Goodwill	**429**
Inventories	**78,095**
Trade receivables	**68,347**
Deposits, prepayments and other receivables	**14,402**
Bank balances and cash	**23,457**
Trade payables	**(818)**
Other payables and accruals	**(58,605)**
Net assets disposed of	**153,217**
Gain on disposal:	
Consideration	**98,000**
Net assets disposed of	**(153,217)**
Non-controlling interests	**75,076**
Cumulative exchange difference in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	**(9)**
	19,850
Net cash inflow arising on disposal:	
Cash consideration received	**98,000**
Less: Bank balances and cash disposed of	**(23,457)**
	74,543

DIVIDENDS

The Directors have resolved not to declare any final dividend for the year ended 31 March 2017 (2016: HK1.0 cent per share).

BUSINESS REVIEW

The financial year ended 31 March 2017 was challenging for the textile and garment industry as the global economy continued to be volatile and uncertain. During the first half of the reporting period, the worldwide consumer markets remained weak. The unfavourable market conditions together with the continuously surging production costs adversely affected the Group's performance. Fortunately, the recovery of the US market, being the largest end-market of the Group, gradually became recognised and provided positive sentiments to the global economy since the second half of the financial year. With the dedicated efforts of the management and staff as well as the adjustable and flexible pricing strategy, the Group was capable of capturing the reviving orders in a timely manner, achieving satisfactory operating results for the financial year under review.

During the reporting period, the consolidated revenue of the Group amounted to approximately HK$4,940 million, remained at similar level as compared to the previous fiscal year (2016: HK$4,911 million). Gross profit was approximately HK$841 million, representing a decline of approximately 3.7% from the previous year (2016: HK$873 million). Profit attributable to owners of the Company for the reporting year amounted to approximately HK$136 million, which included net loss on fair value change of derivative financial instruments of approximately HK$127 million, share option expenses of approximately HK$21 million and gain on disposal of subsidiaries of approximately HK$20 million. For the previous fiscal year, profit attributable to owners of the Company was approximately HK$242 million, which included net loss on fair value change of derivative financial instruments of approximately HK$26 million and a one-off amortisation of bank arrangement fee of approximately HK$19 million. Hence, profit from core operation for the year ended 31 March 2017 was approximately HK$253 million after adjusting the above-mentioned non-operating gains and losses, representing a decrease of approximately 8.7% from the previous year (2016: HK$277 million). Basic earnings per share was HK4.5 cents (2016: HK11.9 cents).

Textile Business

For the year ended 31 March 2017, production and sale of knitted fabric and dyed yarn remained as the Group's principal operation, accounting for approximately 86% of the Group's consolidated revenue. Revenue for the textile segment was approximately HK$4,253 million, representing an increase of approximately 3.7% from the previous year (2016: HK$4,100 million).

Despite the unstable world economy and difficult operating environment, the Group was capable of increasing the sales volume of its textile business. The increase was mainly contributed by strategically placing more effort and resources on established mass market clients and the flexible pricing policy of the Group. In addition, the Group's scale production capability, quality products and timely delivery have won customers' confidence in placing orders.

During the year under review, production cost of knitted fabric continued to increase rapidly. Cotton price and yarn price showed an upward trend, labour costs kept increasing like previously years and coal price surged sharply by over 40% year-on-year. Nevertheless, the Group was able to maintain the gross profit margin of the textile segment flat as compared to that of last year. With the help of the continuous adoption of advanced technology and automated machineries, coupled with proactive cost-saving measures, the Group managed to offset the rising pressure of operation costs. Furthermore, increase in production output through enhanced production capabilities led to economies of scale that effectively leveraged down the production overheads. Gross profit margin and net margin was approximately 17.2% and 6.2% respectively for the year ended 31 March 2017 for the textile segment (2016: 17.0% and 6.3%).

Garment Business

The apparel market encountered more challenges for the year ended 31 March 2017, due to slower global economic growth in 2016. According to the Economic Outlook published by the Organization for Economic Co-operation and Development (the "OECD") in June 2017, global real gross domestic product (GDP) growth was projected to be approximately 3% in the year ended 31 December 2016, the slowest pace since 2009, and that of the US, the destination of which accounted for over 60% of exports of the Group's garment segment, was approximately 1.6%. For the year under review, revenue of the garment business, accounting for approximately 14% of the Group's consolidated revenue, was approximately HK$687 million, with a decrease of approximately 15% from approximately HK$811 million in last year. The decrease was mainly attributable to the disposal (the "Disposal") of the Group's interest in RS International Holdings Limited ("RS Holdings") and its subsidiaries, which operate a garment factory in Jordan (the "Jordan Factory"), in August 2016 and had a turnover of approximately HK$407 million in the year ended 31 March 2016, and a turnover of approximately HK$184 million in the four months from April to July 2016 before completion of the Disposal. If the turnover from the Jordan Factory was excluded from both years, the turnover for the year ended 31 March 2017 was approximately HK$503 million, with an increase of approximately 25% from approximately HK$404 million for the year ended 31 March 2016.

Gross profit decreased to approximately HK$108 million this year from approximately HK$175 million for the year ended 31 March 2016, with gross profit margin lowered to approximately 15.7% from 21.6%. The decrease was mainly attributable to the Disposal upon which the Group ceased to account for orders of the Jordan Factory with higher margin.

There was a net loss of approximately HK$24.5 million after taking into account the net loss on fair value change of derivative financial instruments and net gain on the Disposal, comparing to a net profit of approximately HK$17.6 million for the year ended 31 March 2016. Other than the above, the net loss this year was attributable to the charging of non-recurring corporate expenses related to the contemplated spin-off of the garment manufacturing business (as announced in October 2015) of approximately HK$9.0 million. If the above non-operating expenses were excluded, there would be a net profit before tax of approximately HK$8.0 million for the year ended 31 March 2017.

Major Movements

Completion of placing of a total of 500,000,000 shares of the Company (the "Shares") with net proceeds of approximately HK$257 million

On 17 May 2016, the Group completed a share placing (the "Placing") of 500,000,000 Shares at placing price of HK$0.52 per Share. The total net proceeds amounted to approximately HK$257 million. The successful transaction reflected the market's confidence in the Group's business fundamentals and goals, and the net proceeds provided additional funding for the Group's existing fabric manufacturing business as well as the expansion of its synthetic fabric production facilities.

Completion of a rights issue of a total of 1,397,914,735 rights Shares with net proceeds of approximately HK$344.5 million

On 6 January 2017, the Company issued and allotted 1,397,914,735 ordinary Shares at a subscription price of HK$0.25 each, by way of rights issue (the "Rights Issue") in the proportion of one rights Share for every two Shares held on 9 December 2016. The net proceeds of approximately HK$344.5 million was intended to be used as general working capital of the Group and funding for expansion of its fabric manufacturing plants.

For details of the use of proceeds from the Placing and the Rights Issue, please refer to the announcement of the Company dated 25 April 2017 and the circular of the Company dated 13 June 2017.

PROSPECTS

Looking forward, it is expected that the global economy will continue to be unstable and the consumer markets will remain soft. The Directors strongly believe that with the Group's solid foundation, vertically-integrated set-up together with its environmental-conscious production facilities, the Group will maintain its sustainability and will be able to adapt rapidly to the changing and challenging operating conditions of the textile and garment industry.

With the withdrawal of the US from the Trans-Pacific Strategic Economic Partnership Agreement, the economic benefits to the signatories would be diminished. The Directors are in doubt of the preferential trading treatments that Vietnam could enjoy, therefore resolved to withhold the plan to develop fabric manufacturing business in Vietnam. The Group will increase production capacity in its core manufacturing base in Xinhui, the PRC. More automated machineries and equipment will be installed. Besides, the Group will further invest in upgrading the wastewater treatment plant as well as modifying existing production facilities to accommodate the use of natural gas as environmental-protection and energy saving initiatives.

The Group continues to expand its synthetic fabric production in order to capture the growing market demands and provide value-added services to its customers. The Group intends to further such expansion by pursuing appropriate acquisition opportunities in Taiwan and/or the PRC through acquiring technology or production plant to supplement its existing production facilities.

While the OECD's global and US real GDP growth projection resumed an upward trend in 2017 and 2018, there are opportunities lying ahead. The Group will continue to leverage on our capability in managing both in-house garment production bases in offshore locations and garment sub-contractors with comparative benefits such as lead time, labour costs, duty privilege, etc., in order to maintain long term growth and competiveness of the garment business.

While the year ahead will remain highly competitive, the Group will continue to redefine and enhance its business model to create the best platform for the future growth of the core businesses as well as to capitalise on any value-enhancing investment opportunities. The Group is well-positioned to face all challenges ahead and to bring the most satisfactory returns to the shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2017, the Group had total assets of approximately HK$11,925 million (2016: HK$10,799 million) which were financed by current liabilities of approximately HK$3,789 million (2016: HK$2,581 million), long term liabilities of approximately HK$2,379 million (2016: HK$2,604 million) and shareholders' equity of approximately HK$5,700 million (2016: HK$5,461 million). The current ratio was approximately 2.1 (2016: 2.6) 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 39.8% (2016: 40.2%). All of the Group's borrowings were at floating rate basis.

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

Foreign Exchange and Interest Rate Risks

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

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Renminbi and US dollars. The fluctuations in the 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 year, the Group invested approximately HK$678 million on additions to property, plant and equipment.

As at 31 March 2017, the Group had capital commitments of approximately HK$12 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 31 March 2017, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK$341 million (2016: HK$393 million) were pledged to banks to secure credit facilities granted.

Employee Information

As at 31 March 2017, the total number of employees of the Group was approximately 1,070 in Cambodia, approximately 1,220 in Indonesia, approximately 4,920 in the PRC and approximately 130 in Hong Kong, Macau and other places. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

Event after the Reporting Period

On 25 April 2017, the Company entered into a subscription agreement with Pearl Garden Pacific Limited and Madian Star Limited, both are shareholders of the Company ("Shareholders") as at the date of this announcement, as subscribers in relation to, among others, the issue of the convertible bonds (the "Convertible Bonds") in an aggregate principal amount of HK$400,000,000 due on the date falling 24 months after the date of issuance of the Convertible Bonds. The issuance of the Convertible Bonds is subject to the fulfillment or waiver (as the case may be) of a number of conditions, including but not limited to the approval of independent Shareholders at a special general meeting to be held by the Company. Please refer to the announcement of the Company dated 25 April 2017 and the circular of the Company dated 13 June 2017 for further information.

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

During the year, 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 year ended 31 March 2017 with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing Securities on the Stock Exchange (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 year ended 31 March 2017.

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

Hong Kong, 28 June 2017

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*