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 2019

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 2019 (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 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	2	**5,413,027**	4,960,298
Cost of sales		**(4,419,292)**	(4,091,893)
Gross profit		**993,735**	868,405
Other income		**82,774**	85,379
Other gains and losses	3	**(49,063)**	92,479
Distribution and selling expenses		**(94,777)**	(102,048)
General and administrative expenses		**(408,358)**	(403,099)
Finance costs		**(230,787)**	(192,537)
Profit before taxation		**293,524**	348,579
Income tax expense	4	**(22,017)**	(29,386)
Profit for the year	5	**271,507**	319,193

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(418,730)**	698,407
Reclassification of translation reserve upon disposal of a subsidiary		**(984)**	—
Fair value change of available-for-sale investments		**—**	321
		(419,714)	698,728
Items that will not be subsequently reclassified to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income		**1,858**	—
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		**4,980**	14,919
		6,838	14,919
Other comprehensive (expense) income for the year		**(412,876)**	713,647
Total comprehensive (expense) income for the year		**(141,369)**	1,032,840
Profit (loss) for the year attributable to:			
Owners of the Company		**284,412**	330,131
Non-controlling interests		**(12,905)**	(10,938)
		271,507	319,193
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(127,552)**	1,039,925
Non-controlling interests		**(13,817)**	(7,085)
		(141,369)	1,032,840
			(restated)
Earnings per share	7		
Basic		**HK55.9 cents**	HK75.7 cents
Diluted		**HK50.5 cents**	HK69.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	Note	**2019** ***HK$'000***	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**5,092,721**	4,648,783
Prepaid lease payments		**181,183**	189,101
Investment properties		**188,571**	183,350
Goodwill		**—**	6,185
Intangible asset		**—**	—
Interest in a joint venture		**—**	—
Available-for-sale investments		**—**	19,835
Financial assets at fair value through profit or loss		**125,279**	—
Deferred tax assets		**1,888**	4,152
Deposits paid for acquisition of property, plant and equipment		**7,423**	13,158
Other non-current assets		**—**	114,775
		5,597,065	5,179,339
Current assets			
Inventories		**3,139,573**	3,161,289
Trade and bills receivables	8	**1,843,541**	1,934,616
Deposits, prepayments and other receivables		**214,602**	192,047
Prepaid lease payments		**4,816**	4,894
Derivative financial instruments		**—**	2,155
Taxation recoverable		**311**	9,416
Restricted bank deposit		**6,418**	60,645
Bank balances and cash		**2,454,951**	2,800,895
		7,664,212	8,165,957

	Note	2019 HK$'000	2018 HK$'000
Current liabilities			
Trade and bills payables	9	**551,061**	483,676
Other payables and accruals		**173,707**	158,000
Contract liabilities		**27,570**	—
Dividend payable		**189**	191
Taxation payable		**80,365**	78,303
Derivative financial instruments		**1,511**	1,599
Bank borrowings — amount due within one year		**2,692,876**	2,304,847
Convertible bonds		**389,611**	369,804
		3,916,890	3,396,420
Net current assets		**3,747,322**	4,769,537
Total assets less current liabilities		**9,344,387**	9,948,876
Capital and reserves			
Share capital		**51,794**	50,317
Reserves		**6,727,501**	6,884,330
Equity attributable to owners of the Company		**6,779,295**	6,934,647
Non-controlling interests		**25,472**	39,289
Total equity		**6,804,767**	6,973,936
Non-current liabilities			
Bank borrowings — amount due after one year		**2,444,271**	2,872,458
Deferred tax liabilities		**95,349**	102,482
		2,539,620	2,974,940
		9,344,387	9,948,876

Notes:

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 15	Revenue from Contracts with Customers
HKFRS 9	Financial Instruments
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

Except as described below, the application of the above new and amendments to HKFRSs and interpretation 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.

1.1 HKFRS 15 "Revenue from Contracts with Customers"

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

The Group recognises revenue from the following major sources:

- Production and sale of knitted fabric and dyed yarn; and
- Production 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 the 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 "Revenue" and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from sales of knitted fabric, dyed yarn and garment products is generally recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

A contract liability is recognised by the Group when deposit is received in advance from the customers at the time of acceptance of a contract with the customer, which represented the Group's obligation to transfer goods to the customers.

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.

1.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, 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") model for financial assets and other items (for example, lease receivables) and 3) general ledger 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 under ECL model) 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 if any is 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".

1.3 Amendments to HKAS 40 "Transfers of Investment Property"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 April 2018.

1.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated.

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

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective for annual periods beginning on or after a date to be determined.
[5] Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

Except for the new HKFRS mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and an interpretation will have no material impact on the Group's consolidated financial statements in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 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 interests and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and interest portion which will be presented as financing and operating cash flows, respectively. Upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature as appropriate.

Other than certain requirements which are also applicable to lessor, 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 2019, the Group has non-cancellable operating lease commitments of HK$13,449,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of HK$1,664,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right of-use assets.

The application of new requirements will result changes in measurement, presentation and disclosure as indicated above. The Group will elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK (IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group will elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

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
(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:

Year ended 31 March 2019

	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	**5,021,963**	**391,064**	**5,413,027**	**—**	**5,413,027**
Inter-segment sales	**20,048**	**—**	**20,048**	**(20,048)**	**—**
Segment revenue	**5,042,011**	**391,064**	**5,433,075**	**(20,048)**	**5,413,027**
RESULTS					
Segment results	**542,983**	**(20,206)**	**522,777**	**—**	**522,777**
Unallocated corporate income					**68,987**
Unallocated other gains and losses					**(48,973)**
Unallocated corporate expenses					**(18,480)**
Finance costs					**(230,787)**
Profit before taxation					**293,524**

Year ended 31 March 2018

	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	4,523,716	436,582	4,960,298	—	4,960,298
Inter-segment sales	25,538	—	25,538	(25,538)	—
Segment revenue	4,549,254	436,582	4,985,836	(25,538)	4,960,298
RESULTS					
Segment results	409,098	(11,541)	397,557	—	397,557
Unallocated corporate income					68,552
Unallocated other gains and losses					92,728
Unallocated corporate expenses					(17,721)
Finance costs					(192,537)
Profit before taxation					348,579

Segment profit represents the profit earned by each segment without allocation of interest income, rental income, loss on disposal of property, plant and equipment, gain on fair value change of investment properties, net gain/loss on fair value change of derivative financial instruments, net gain on fair value change of financial assets at fair value through profit or loss, amortisation of prepaid insurance premium for insurance policies, interest income on life insurance policies, loss from litigation claims, charge on early termination of a derivative financial instrument, 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 segments:

At 31 March 2019

	Knitted fabric and dyed yarn *HK$'000*	**Garment products** *HK$'000*	**Consolidated total** *HK$'000*
ASSETS			
Segment assets	**10,036,744**	**316,495**	**10,353,239**
Unallocated assets			**2,908,038**
Consolidated total assets			**13,261,277**
LIABILITIES			
Segment liabilities	**1,074,205**	**61,983**	**1,136,188**
Unallocated liabilities			**5,320,322**
Consolidated total liabilities			**6,456,510**

At 31 March 2018

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated total *HK$'000*
ASSETS			
Segment assets	9,753,928	344,411	10,098,339
Unallocated assets			3,246,957
Consolidated total assets			13,345,296
LIABILITIES			
Segment liabilities	943,914	67,757	1,011,671
Unallocated liabilities			5,359,689
Consolidated total liabilities			6,371,360

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, taxation recoverable, investment properties, financial assets at fair value through profit or loss, other non-current assets, deferred tax assets, corporate assets and assets of non-core businesses, and

- all liabilities are allocated to operating segments other than taxation payable, deferred tax liabilities, bank borrowings, derivative financial instruments and corporate liabilities.

Other segment information

Year ended 31 March 2019

	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:			
Additions to non-current assets *(note)*	**999,227**	**6,197**	**1,005,424**
Depreciation of property, plant and equipment	**331,850**	**10,965**	**342,815**
Loss on disposal of property, plant and equipment	**154**	**39**	**193**
Impairment loss on goodwill	**—**	**6,185**	**6,185**
Release of prepaid lease payments	**4,753**	**96**	**4,849**

Year ended 31 March 2018

	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:			
Additions to non-current assets *(note)*	890,251	5,192	895,443
Depreciation of property, plant and equipment	299,787	15,453	315,240
Loss (gain) on disposal of property, plant and equipment	113	(84)	29
Impairment loss on trade receivables	—	134	134
Release of prepaid lease payments	4,751	96	4,847

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 (the "PRC").

The Group's revenue from external customers by location of customers and information about its non-current assets (excluding financial assets at fair value through profit or loss, other non-current assets, available-for-sale investments and deferred tax assets) by geographic location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**774,175**	654,407	**117,132**	109,264
Macau	**26,269**	16,494	**21**	40
PRC	**2,581,765**	2,581,412	**5,337,947**	4,909,225
Korea	**502,090**	332,261	**—**	—
United States of America (the "US")	**447,954**	367,461	**—**	—
Bangladesh	**420,660**	468,175	**—**	—
Taiwan	**389,058**	361,861	**—**	—
Singapore	**71,434**	65,661	**—**	—
Vietnam	**60,002**	30,854	**—**	—
Indonesia	**41,289**	3,694	**—**	—
Canada	**30,325**	30,223	**—**	—
India	**18,148**	207	**—**	—
Mexico	**11,346**	—	**—**	—
Thailand	**9,508**	350	**—**	—
Germany	**2,879**	23,359	**—**	—
Others	**26,125**	23,879	**14,798**	22,048
	5,413,027	4,960,298	**5,469,898**	5,040,577

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 2019 and 2018.

Information about products and services

The Group's revenue represents sale of knitted fabric, dyed yarn and garment products. 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

	2019	2018
	HK$'000	*HK$'000*
Net (loss) gain on fair value change of derivative financial instruments	**(4,356)**	89,302
Charge on early termination of a derivative financial instrument	**(2,480)**	—
Net gain on fair value change of financial assets at fair value through profit or loss	**3,104**	—
Gain on fair value change of investment properties	**3,805**	3,080
Net foreign exchange gain (losses)	**6,095**	(249)
Impairment loss on goodwill	**(6,185)**	—
Impairment loss on trade receivables	**—**	(134)
Loss on disposal of a subsidiary	**(2,777)**	—
Loss on disposal of property, plant and equipment	**(193)**	(29)
Loss from litigation claims *(note)*	**(46,124)**	—
Others	**48**	509
	(49,063)	92,479

note: The amount represents the loss suffered by the Group as a result of certain court cases brought against a wholly-owned subsidiary of the Company arising from the use of certain unfulfilled trade bills and sales contracts which bear the company seal of the above subsidiary as collaterals by an independent third party supplier (the "Borrower") during the year ended 31 March 2017. The Borrower obtained certain borrowings from banks and other lenders in the PRC (the "Lenders") but subsequently failed to repay. The Lenders took legal actions against the above subsidiary to enforce their rights in relation to the collaterals. While the subsidiary defended these vigorously, the Directors reviewed the then circumstances and, taking into consideration the opinion from a legal counsel, recognised a provision for loss of HK$17,442,000 in the consolidated financial statements for that financial year. The Directors considered that the chance of incurring further losses in relation to the above matter was remote.

In the current financial year, certain court hearings for the above legal actions taken by certain Lenders were held and the decisions were in favour of the Lenders. The subsidiary had negotiated with some of the Lenders for mutually agreed amounts of settlements. Taking into account of further legal advices, an aggregate amount of HK$46,124,000 was recognised in the consolidated financial statements for the current year, which included full provision of HK$5,952,000 for two cases which are still in the process of court hearing based on the opinion from a legal counsel. The Directors consider that the chance of incurring further losses in relation to the above matter was remote.

The Directors are seeking legal advices and may consider to lodge appeals for certain cases and to initiate legal proceedings against the Borrower to recover the subsidiary's losses.

4. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Current year		
— Hong Kong Profits Tax	**6,116**	2,000
— PRC Enterprise Income Tax ("EIT")	**20,154**	19,965
Overprovision in respect of prior years	**(504)**	—
	25,766	21,965
Deferred taxation		
Current year	**(3,749)**	7,421
	22,017	29,386

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%.

Under the Law of the PRC on EIT and its Implementation Regulation, the tax rate of the PRC subsidiaries is 25%.

Starting from December 2017 and for the year ended 31 March 2019, 江門市新會區冠華針織廠有限公司 was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise. The 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 PRC.

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

5. PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**33,248**	27,644
Other staff costs	**519,656**	520,487
Total staff costs	**552,904**	548,131
Auditor's remuneration	**3,623**	3,635
Amortisation of prepaid insurance premium for life insurance policies	**—**	17
Depreciation of property, plant and equipment	**342,815**	315,240
Release of prepaid lease payments	**4,849**	4,847
and after crediting:		
Bank and other interest income	**45,672**	47,348
Government grants	**5,469**	4,914
Interest income on life insurance policies	**—**	2,999
Rental income from investment properties, and plant and machinery (net of negligible outgoings)	**23,315**	21,713

Included in the other staff costs is an aggregate amount of HK$52,991,000 (2018: HK$48,947,000) in respect of contributions to retirement benefits schemes made by the Group.

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

	2019	2018
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2018 final dividend of HK1.0 cent per ordinary share (2018: Nil)	**50,317**	—

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: 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 owners of the Company for the year is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**284,412**	330,131
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**39,807**	19,817
Earnings for the purpose of diluted earnings per share	**324,219**	349,948
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**508,959,809**	436,134,421
Effect of dilutive potential ordinary shares:		
Convertible bonds	**133,333,333**	69,771,690
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**642,293,142**	505,906,111

The weighted average number of ordinary shares for the purposes of calculating basic earnings per share for the year ended 31 March 2019 has been adjusted, taking into account the share consolidation and the bonus element of the rights issue which were completed after the end of the reporting period but before the consolidated financial statements are authorised for issue. The corresponding weighted average number of ordinary shares for the year ended 31 March 2018 has been retrospectively adjusted to reflect the said share consolidation and the bonus element of the rights issue.

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

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 credit losses), presented based on the invoice date, which approximated the respective revenue recognition date at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
0–60 days	**1,159,317**	1,189,442
61–90 days	**390,651**	427,848
91–120 days	**185,560**	188,477
Over 120 days	**108,013**	128,849
	1,843,541	1,934,616

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:

	2019	2018
	HK$'000	*HK$'000*
0–60 days	**240,628**	240,383
61–90 days	**124,026**	138,179
91–120 days	**148,486**	93,760
Over 120 days	**37,921**	11,354
	551,061	483,676

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.

DIVIDENDS

The Directors have resolved not to declare any final dividend for the year ended 31 March 2019 (2018: HK1.0 cent per share).

BUSINESS REVIEW

The financial year ended 31 March 2019 continued to exert massive pressure to the textile and garment industry, marked by a complicated and volatile market situation intensified by the trade war between the US and the PRC. Facing such a tough business environment, the Board made concrete measurements in production management, marketing strategy, product development as well as cost control. As a result of all these, the Group managed to maintain overall operation stability and achieved persistent growth in both revenue and operating profits during the year under review.

During the reporting period, the consolidated revenue of the Group amounted to approximately HK$5,413 million, representing an increase of approximately 9.1% from the previous year (2018: HK$4,960 million). Gross profit increased by approximately 14.5% to approximately HK$994 million (2018: HK$868 million). Profit attributable to owners of the Company amounted to approximately HK$284 million, which included gain on fair value change of investment properties of approximately HK$3 million (2018: HK$1 million), net gain on fair value change of financial assets of approximately HK$3 million (2018: Nil), total loss on derivative financial instruments of approximately HK$7 million (2018: net gain of HK$89 million) and a one-off goodwill written-off of approximately HK$3 million and loss on disposal of a subsidiary of approximately HK$1 million. Hence, profit for core operations for the reporting period was approximately HK$289 million after adjusting the above-mentioned non-operating gains and losses, representing an approximately 18.4% growth as compared to the previous year (2018: HK$244 million). Basic earnings per share was HK55.9 cents (2018: 75.7 cents).

Textile Business

For the year ended 31 March 2019, production and sale of knitted fabric and dyed yarn remained as the Group's principal operation, accounting for approximately 93% of the Group's consolidated revenue. Revenue for the textile segment was approximately HK$5,022 million, representing an increase of approximately 11.0% from the previous year (2018: HK$4,524 million). Net operating profit was approximately HK$299 million as compared to HK$262 million of previous year.

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. Although production cost of knitted fabric continued to increase during the reporting period, the Group was able to maintain the gross profit margin of the textile segment. 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, sufficient order flow throughout the year led to economies of scale that effectively leveraged down the production overheads. Gross profit margin and net margin was approximately 18.5% and 6.0% respectively for the year ended 31 March 2019 for the textile segment (2018: 18.1% and 5.8%).

Garment Business

For the year ended 31 March 2019, revenue of the garment business was approximately HK$391 million, with a decrease of approximately 10.5% from approximately HK$437 million last year. The decrease was mainly attributable to the further consolidation of clientele to focus on customers providing steady order flows and profit margin.

There was a net loss of approximately HK$27 million for the year compared to HK$22 million last year. The increase in net loss this year was mainly attributable to non-recurring items including loss on disposal of subsidiaries of approximately HK$3 million and goodwill written-off approximately $6 million for the production base in the PRC that has evolved into primarily a product development center and back office supporting export businesses.

Major Movement

Completion of a rights issue of a total of 2,589,706,603 rights shares with net proceeds of approximately HK$249.3 million

On 18 April 2019, the Company issued and allotted 2,589,706,603 ordinary shares of HK$0.01 each (the "Shares") at a subscription price of HK$0.098 each, by way of rights issue (the "Right Issue") in the proportion of one rights share for every two shares held on 15 March 2019. The net proceeds of approximately HK$249.3 million was used as general working capital of the Group and funding for construction of a new boiler and a new electron beam waste water treatment plant.

For details of the use of proceeds from the Right Issue, please refer to the announcement of the Company dated 19 February 2019 and the circular of the Company dated 26 March 2019.

PROSPECTS

Looking forward, it is expected that the global economy will continue to be unstable and the consumer markets will remain soft. The US-PRC trade war has no direct business affection as the Group does not export finish products directly from the PRC to the US. However, the indirect and long term impact remain unseen. The US retailers started to adopt a more prudent procurement strategy in preparation for the global economic slowdown. The Directors strongly believe that with its solid foundation together with environmental-conscious production facilities, the Group will maintain its sustainability.

The Group is determined to remain competent in fulfilling orders with high quality under tight schedules. The Group will continue to strengthen its competitive edge by effective allocation of resources to enhance its overall efficiency, focus on research and development of new and value-added products to improve profit margins and expand to new markets and regions to mitigate operation risks.

The Group has been actively seeking appropriate location for a new production base in Bangladesh with a view to lowering the average manufacturing costs and risk diversification. As at the date of this announcement, discussions with potential joint venture partners are on-going.

While the Group is planning to direct more resources to the more profitable fabric business, the Group will continue to focus on garment customers with stable orders and profit margin, and leverage on its capability in using garment sub-contractors to maintain competiveness of the garment business. The Group has disposed of its garment production base in Indonesia in February 2019 in order to lower fixed costs of the garment segment while fulfilling customer orders with sub-contractors to maintain flexibility. Potential buyers have also shown interest for possible acquisition of the Group's other production bases. No agreement has been signed as at the date of this announcement.

Going forward, although tough and challenging, the Directors remain cautiously optimistic to maintain consistent growth of the Group so as to bring the most satisfactory returns to the shareholders of the Company.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2019, the Group had total assets of approximately HK$13,261 million (2018: HK$13,345 million) which were financed by current liabilities of approximately HK$3,917 million (2018: HK$3,396 million), long term liabilities of approximately HK$2,540 million (2018: HK$2,975 million) and shareholders' equity of approximately HK$6,779 million (2018: HK$6,935 million). The current ratio was approximately 2.0 (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 39.5% (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 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 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 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$1,005 million on additions to property, plant and equipment.

As at 31 March 2019, the Group had capital commitments of approximately HK$161 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 2019, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK$446 million (2018: HK$423 million) were pledged to banks to secure credit facilities granted.

Employee Information

As at 31 March 2019, the total number of employees of the Group was approximately 1,150 in Cambodia, approximately 4,500 in the PRC and approximately 105 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

On 26 April 2019, the Company served, and Pearl Garden Pacific Limited and Madian Star Limited (collectively, the "Subscribers") accepted, the redemption notice in relation to the early redemption (the "Redemption") of the whole of the outstanding principal amount of the HK$400,000,000 five per cent. convertible bonds due 2019 (the "Existing Convertible Bonds") by way of issuance of the HK$400,000,000 five per cent. convertible bonds due 2021 (the "New Convertible Bonds"). On 26 April 2019, the Company also entered into a conditional subscription agreement with the Subscribers in relation to the subscription (the "Subscriptions") of the New Convertible Bonds.

Completion of the Redemption is conditional on completion of the Subscriptions, while completion of the Subscription is conditional upon the fulfilment or waiver (as the case may be) of the conditions set out in the Subscription Agreement, including the passing of all necessary independent shareholders' approval of the Company regarding the issue of the New Convertible Bonds.

On 2 May 2019, the Board proposed to (i) implement the share consolidation (the "Share Consolidation") on the basis that every ten (10) issued and unissued Shares be consolidated into one (1) consolidated share of HK$0.10 each (the "Consolidated Shares"); and (ii) change the board lot size (the "Change in Board Lot Size") for trading on the Stock Exchange from 2,000 Shares to 4,000 Consolidated Shares.

Upon all conditions precedent of the Share Consolidation being fulfilled as at 21 June 2019, the Share Consolidation and the Change in Board Lot Size have taken effect on 24 June 2019. The (i) Redemption; and (ii) Subscriptions are yet to be completed as at the date of this annual results announcement. Further announcement will be made by the Company upon completion of the (i) Redemption; and (ii) Subscriptions.

For further details, please refer to the circular of the Company dated 5 June 2019 and the announcement of the Company dated 21 June 2019.

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 2019 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 2019.

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

Hong Kong, 27 June 2019

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*