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VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 0539)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 MARCH 2011**

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 (the “Group”) for the year ended 31 March 2011 (which have been reviewed by the audit committee of the Company) with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	<i>Notes</i>	2011 HK\$'000	2010 <i>HK\$'000</i>
Revenue	2	4,047,705	3,863,612
Cost of sales		(3,277,190)	(3,144,737)
Gross profit		770,515	718,875
Other income		14,120	3,773
Other gains and losses	3	19,285	21,889
Distribution and selling expenses		(87,180)	(70,584)
Administrative expenses		(280,261)	(256,316)
Listing expenses of a non-wholly owned subsidiary		(13,110)	—
Interest on bank borrowings wholly repayable within five years		(53,386)	(47,736)
Profit before tax		369,983	369,901
Income tax expense	4	(21,765)	(32,325)

* For identification purposes only

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year	5	348,218	337,576
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year		160,126	(2,123)
Total comprehensive income for the year		508,344	335,453
Profit for the year attributable to:			
Owners of the Company		334,015	314,627
Non-controlling interests		14,203	22,949
		348,218	337,576
Total comprehensive income attributable to:			
Owners of the Company		492,638	312,504
Non-controlling interests		15,706	22,949
		508,344	335,453
Earnings per share	7		
Basic		29.5 cents	30.4 cents
Diluted		29.5 cents	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2011

	<i>Notes</i>	31.3.2011 HK\$'000	31.3.2010 <i>HK\$'000</i> (restated)	1.4.2009 <i>HK\$'000</i> (restated)
Non-current assets				
Property, plant and equipment		2,325,219	2,308,700	2,473,252
Prepaid lease payments		21,500	20,783	21,273
Goodwill		6,185	6,185	6,185
Intangible asset		1,000	—	—
Other assets		18,916	—	—
Interest in a jointly controlled entity		—	—	—
Deferred tax assets		1,518	—	—
Deposit paid for acquisition of property, plant and equipment		9,778	1,859	4,306
		2,384,116	2,337,527	2,505,016
Current assets				
Inventories		2,239,743	1,680,996	1,357,908
Trade and bills receivables	8	916,238	975,169	875,514
Deposits, prepayments and other receivables		236,589	134,919	107,476
Prepaid lease payments		518	489	489
Derivative financial instruments		7,853	—	3,172
Bank balances and cash		709,479	547,779	546,477
		4,110,420	3,339,352	2,891,036
Assets classified as held for sale		—	28,118	—
		4,110,420	3,367,470	2,891,036
Current liabilities				
Trade payables	9	390,016	424,935	376,913
Other payables and accruals		213,958	144,904	112,063
Dividend payable		659	91	83
Taxation payable		75,120	78,734	60,583
Bank borrowings-amount due within one year		1,031,508	865,574	1,122,547
Structured borrowings-amount due within one year		12,439	19,947	18,792
Derivative financial instruments		—	—	11,680
		1,723,700	1,534,185	1,702,661

	<i>Notes</i>	31.3.2011 HK\$'000	31.3.2010 <i>HK\$'000</i> (restated)	1.4.2009 <i>HK\$'000</i> (restated)
Liabilities associated with assets classified as held for sale		—	22,282	—
		<u>1,723,700</u>	<u>1,556,467</u>	<u>1,702,661</u>
Net current assets		<u>2,386,720</u>	<u>1,811,003</u>	<u>1,188,375</u>
Total assets less current liabilities		<u>4,770,836</u>	<u>4,148,530</u>	<u>3,693,391</u>
Capital and reserves				
Share capital		12,226	10,641	10,255
Reserves		<u>3,745,220</u>	<u>3,067,199</u>	<u>2,719,628</u>
Equity attributable to owners of the Company		<u>3,757,446</u>	<u>3,077,840</u>	<u>2,729,883</u>
Non-controlling interests		<u>223,872</u>	<u>142,212</u>	<u>142,331</u>
Total equity		<u>3,981,318</u>	<u>3,220,052</u>	<u>2,872,214</u>
Non-current liabilities				
Bank borrowings-amount due after one year		780,236	912,788	790,811
Structured borrowings-amount due after one year		—	9,974	28,188
Deferred tax liabilities		<u>9,282</u>	<u>5,716</u>	<u>2,178</u>
		<u>789,518</u>	<u>928,478</u>	<u>821,177</u>
		<u>4,770,836</u>	<u>4,148,530</u>	<u>3,693,391</u>

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”);

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Right Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

Amendments to HKAS 17 Leases

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

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 31 March 2011 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK\$28,622,000 and HK\$13,923,000 as at 1 April 2009 and 31 March 2010 respectively being reclassified to property, plant and equipment, and release of prepaid lease payments of approximately HK\$747,000 for the year ended 31 March 2010 being reclassified to depreciation of property, plant and equipment.

As at 31 March 2011, leasehold land that qualifies for finance lease classification with the carrying amount of approximately HK\$13,550,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“HK Int 5”) clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK\$97,835,000 and HK\$39,820,000 have been reclassified from non-current liabilities to current liabilities as at 31 March 2010 and 1 April 2009 respectively. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK\$17,922,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

Summary of the effects of the above changes in accounting policies

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 April 2009 and 31 March 2010 is as follows:

	As at 1.4.2009		As at 31.3.2010		As at 31.3.2010	
	(originally stated)	Adjustments	(restated)	(originally stated)	Adjustments	(restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	2,444,630	28,622	2,473,252	2,294,777	13,923	2,308,700
Prepaid lease payments	50,384	(28,622)	21,762	35,195	(13,923)	21,272
Borrowings-current	1,082,727	39,820	1,122,547	767,739	97,835	865,574
Borrowings-non-current	830,631	(39,820)	790,811	1,010,623	(97,835)	912,788
Total effects on net assets	<u>4,408,372</u>	<u>–</u>	<u>4,408,372</u>	<u>4,108,334</u>	<u>–</u>	<u>4,108,334</u>

New and revised Standards and Interpretation issued but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets ³
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁵
HKAS 24 (as revised in 2009)	Related Party Disclosures ⁶
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ⁴
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

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

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

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

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 January 2012.

⁶ Effective for annual periods beginning on or after 1 January 2011.

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

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

The Directors anticipate that the application of HKFRS 9 and the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group for the current and prior accounting periods.

2. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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

- (i) Knitted fabric and dyed yarn – Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services
- (ii) Garment products – Production and sale of garment products and provision of quality inspection services

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

Year ended 31 March 2011

	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	3,144,827	902,878	4,047,705	–	4,047,705
Inter-segment sales	37,846	–	37,846	(37,846)	–
Total	<u>3,182,673</u>	<u>902,878</u>	<u>4,085,551</u>	<u>(37,846)</u>	4,047,705
RESULTS					
Segment results	<u>385,791</u>	<u>57,258</u>	<u>443,049</u>	<u>–</u>	443,049
Unallocated corporate income					18,594
Unallocated corporate expenses					(38,274)
Finance cost					(53,386)
Profit before tax					<u>369,983</u>

Year ended 31 March 2010

	Knitted fabric and dyed yarn <i>HK\$ '000</i>	Garment products <i>HK\$ '000</i>	Segment total <i>HK\$ '000</i>	Eliminations <i>HK\$ '000</i>	Consolidated total <i>HK\$ '000</i>
REVENUE					
External sales	2,969,261	894,351	3,863,612	–	3,863,612
Inter-segment sales	32,016	–	32,016	(32,016)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>3,001,277</u>	<u>894,351</u>	<u>3,895,628</u>	<u>(32,016)</u>	<u>3,863,612</u>
RESULTS					
Segment results	<u>353,255</u>	<u>49,634</u>	<u>402,889</u>	<u>–</u>	<u>402,889</u>
Unallocated corporate income					26,995
Unallocated corporate expenses					(12,247)
Finance cost					(47,736)
					<u> </u>
Profit before tax					<u>369,901</u>

Segment profit represents the profit earned by each segment without allocation of gain (loss) on disposal of property, plant and equipment and prepaid lease payments, rental income, gain on fair value changes of derivative financial instruments, central administration costs and finance costs. This is the measure reported to the Directors for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at prevailing market rate.

Segment assets and liabilities

At 31 March 2011

	Knitted fabric and dyed yarn <i>HK\$ '000</i>	Garment products <i>HK\$ '000</i>	Consolidated total <i>HK\$ '000</i>
ASSETS			
Segment assets	5,360,789	415,572	5,776,361
Unallocated assets			718,175
			<u> </u>
Consolidated total assets			<u>6,494,536</u>
LIABILITIES			
Segment liabilities	513,581	89,825	603,406
Unallocated liabilities			1,909,812
			<u> </u>
Consolidated total liabilities			<u>2,513,218</u>

At 31 March 2010

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Consolidated total HK\$'000
ASSETS			
Segment assets	4,778,816	349,177	5,127,993
Unallocated assets			548,886
Assets classified as held for sale			28,118
			<hr/>
Consolidated total assets			5,704,997
			<hr/> <hr/>
LIABILITIES			
Segment liabilities	417,421	150,657	568,078
Unallocated liabilities			1,894,585
Liabilities associated with assets classified as held for sale			22,282
			<hr/>
Consolidated total liabilities			2,484,945
			<hr/> <hr/>

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

- all assets other than bank balances and cash, derivative financial instruments, deferred tax assets, assets classified as held for sale, corporate assets and assets of non-core businesses are allocated to operating segments, and
- all liabilities other than current and deferred tax liabilities, bank borrowings, derivative financial instruments, liabilities associated with assets classified as held for sale, corporate liabilities and liabilities of non-core businesses are allocated to operating segments.

Other segment information

At 31 March 2011

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets <i>(note)</i>	85,769	10,119	95,888	—	95,888
Depreciation	192,646	15,363	208,009	—	208,009
Gain on disposal of property, plant and equipment and leasehold land	71	508	579	—	579
Gain on fair value changes of structured borrowings	—	—	—	322	322
Release of prepaid lease payments	409	92	501	—	501
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2010 (restated)

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets (<i>note</i>)	54,631	44,180	98,811	–	98,811
Depreciation (restated)	190,967	13,762	204,729	–	204,729
Gain (loss) on disposal of property, plant and equipment	313	(21)	292	–	292
Loss on fair value changes of structured borrowings	–	–	–	(101)	(101)
Impairment losses recognised on receivables	1,085	808	1,893	–	1,893
Reversal of impairment losses recognised on receivables	–	25	25	–	25
Release of prepaid lease payments (restated)	445	45	490	–	490
	<u>54,631</u>	<u>44,180</u>	<u>98,811</u>	<u>–</u>	<u>98,811</u>

note: Amounts included additions to property, plant and equipment, prepaid lease payments and intangible asset.

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, the People's Republic of China ("PRC"), Canada, the United States of America ("USA"), Bangladesh and Taiwan.

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

	Revenue from external customers		Non-current assets	
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Hong Kong	576,866	652,264	53,539	46,329
PRC	2,054,901	1,730,369	2,296,345	2,273,491
USA	502,586	513,484	102	231
Taiwan	243,573	161,762	–	–
Bangladesh	219,434	193,668	–	–
Canada	141,160	148,815	–	–
Others	309,185	463,250	13,696	17,476
	<u>4,047,705</u>	<u>3,863,612</u>	<u>2,363,682</u>	<u>2,337,527</u>

Information about major customers

None of the customers contributed over 10% of the Group's total annual revenue for each of the two years ended 31 March 2011.

Information about products and services

The Group's revenue represents sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting and quality services.

3. OTHER GAINS AND LOSSES

	2011 HK\$'000	2010 HK\$'000
Gain on fair value changes of derivative financial instruments	15,731	26,996
Gain (loss) on fair value changes of structured borrowings	322	(101)
Gain on disposal of property, plant and equipment and leasehold land	579	292
Net foreign exchange gain (losses)	1,543	(3,430)
Reversal of (impairment losses) recognised on receivables	1,110	(1,868)
	<u>19,285</u>	<u>21,889</u>

4 INCOME TAX EXPENSE

	2011 HK\$'000	2010 HK\$'000
The tax charge comprises:		
Current tax:		
Current year		
– Hong Kong Profits Tax	14,878	10,600
– Enterprise income tax in the PRC attributable to subsidiaries	16,878	15,599
– Overseas income tax	151	226
	<u>31,907</u>	<u>26,425</u>
(Over) underprovision in respect of prior years	(12,190)	2,362
	<u>19,717</u>	<u>28,787</u>
Deferred taxation	2,048	3,538
	<u>21,765</u>	<u>32,325</u>

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

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

5. PROFIT FOR THE YEAR

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> <i>(restated)</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	17,041	15,854
Other staff costs	301,412	257,672
	<hr/>	<hr/>
Total staff costs	318,453	273,526
	<hr/>	<hr/>
Auditor's remuneration	2,853	2,558
Depreciation of property, plant and equipment	208,009	204,729
Release of prepaid lease payments	501	490
and after crediting:		
Government grants	4,880	—
Bank interest income	1,953	806
	<hr/> <hr/>	<hr/> <hr/>

6. DISTRIBUTIONS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2011 interim dividend of HK3.0 cents (2010: HK2.0 cents) per ordinary share	36,374	21,210
2010 final dividend of HK4.0 cents (2010: 2009 final dividend of nil) per ordinary share	42,564	—
	<hr/>	<hr/>
	78,938	21,210
	<hr/> <hr/>	<hr/> <hr/>

The final dividend of HK4.0 cents (2010: HK4.0 cents) per share, which will be in cash with a scrip dividend option, has been calculated by reference to the 1,222,554,473 issued ordinary shares outstanding as at the date these financial statements were approved by the Directors, has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	334,015	314,627
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	(117)	–
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	<u>333,898</u>	<u>314,627</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,131,024,311</u>	<u>1,035,734,211</u>

The computation of diluted earnings per share for the year ended 31 March 2011 and 2010 does not assume the exercise of the Company's share options because the exercise price of the Company's share options outstanding for the year was higher than the average market price of the shares.

8. TRADE AND BILLS RECEIVABLES

The Group generally allows its trade customers an average credit period of 30-120 days.

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0-60 days	665,588	653,583
61-90 days	168,987	197,905
91-120 days	62,596	96,447
Over 120 days	19,067	27,234
	<u>916,238</u>	<u>975,169</u>

9. TRADE PAYABLES

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0-60 days	240,400	307,385
61-90 days	93,754	80,441
Over 90 days	55,862	37,109
	<u>390,016</u>	<u>424,935</u>

The average credit period for purchase of goods is 30-120 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 to recommend the payment of a final dividend of HK4.0 cents per share (each a “Share”) of HK\$0.01 each of the Company in respect of the year ended 31 March 2011 to shareholders whose names appear on the register of members of the Company on 26 August 2011 and also to recommend the offer to the shareholders the right to elect as an alternative, to receive such final dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash (the “Scrip Dividend Scheme”), subject to the approval of the shareholders on the payment of final dividend at the annual general meeting of the Company and the granting by The Stock Exchange of Hong Kong Limited (“Stock Exchange”) of the listing of, and permission to deal in, the Shares to be issued pursuant thereto.

The Shares to be issued pursuant to the Scrip Dividend Scheme will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of such Shares save that they will not be entitled to the final dividend for the year ended 31 March 2011.

On condition that the payment of the above final dividend is approved by the shareholders at the annual general meeting of the Company, a circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders of the Company shortly after the annual general meeting of the Company.

BUSINESS REVIEW

According to the latest statistics released by China’s General Administration of Customs, the total export value of textile and apparels in 2010 amounted to US\$206.5 million, representing an encouraging increase of 23.6%. This marked an impressive business rebound for the Chinese textile enterprises; however operating pressures were still evident with the industry’s profitability being undermined by escalating raw material and fuel prices, along with the substantial appreciation of the Renminbi (“RMB”). Nevertheless, the Group continued to exhibit its leadership with our well-formulated marketing strategies and a good cash-flow system, thus attaining a set of satisfactory financial and operating results for the year despite market difficulties.

For the year ended 31 March 2011, the Group's consolidated revenue was HK\$4,048 million, representing a slight growth of 4.8% in comparison to the previous corresponding year (2010: HK\$3,864 million). Profit attributable to owners of the Company was HK\$334 million, which included the net gain on fair value changes of derivative financial instruments and structured borrowings of HK\$16.1 million (2010: HK\$26.9 million) and one-off listing expenses of HK\$13.1 million incurred during the spin-off of our garment business, and staff option expenses of HK\$8.2 million. Hence, profit from normal operations was HK\$339.2 million after adjusting the above-mentioned non-operating gains and losses, representing a growth of 17.9% from the previous corresponding year (2010: HK\$287.7 million). Earnings per share was HK29.5 cents (2010: HK30.4 cents).

Textile Business

Production and sales of knitted fabrics and dyed yarn are the principal operations of the Group and accounted for approximately 77.7% of the Group's consolidated revenue, with the remaining 22.3% from the garment business.

Despite the recovering export demand, the textile industry continues to face challenges brought forth from the operating environment in the PRC. In view of rising raw material and fuel costs, sales strategies were readjusted to place preference on high-margin orders that allowed the Group to pass on increased costs to our customers. Furthermore, the Group proactively procured relatively low-price cotton yarn at the beginning of the year to combat fluctuating raw material prices and to maintain inventory at an optimal level for continued order flow and production. Such strategies maximised profitability and contributed in maintaining our margins at stable levels.

The continuous RMB appreciation also manifested significant operational risks on the vitality of the export market. However, with our balanced focus between the PRC domestic market and export market, the Group was able to utilise a natural hedging to mitigate most, if not all, of the exchange risks. Moreover, the Group streamlined operations to enhance production efficiency, and reduced staff headcounts accordingly to lower its overall administration costs.

Garment Business

Our garment arm, Ford Glory Group Holdings Limited ("FGG") was successful spun off from the Group and listed on the Stock Exchange (stock code: 1682) in early October 2010. FGG has large scale production facilities in the PRC and Indonesia, offering an array of value services to customers worldwide, ranging from design and production to logistics and delivery.

During the year, the garment industry's profitability was succumbed to external operating pressures. However, the management's dedicated efforts in sustaining business momentum through product mix improvements and cost management yielded positive results. For the year, FGG's revenue slightly increased by 1% to HK\$903 million and excluding the one-off listing expense of HK\$13.1 million, net profit was HK\$39.5 million representing a 11.4% increase as compared with the previous corresponding year.

With aspirations to tap into the PRC's booming retail market, FGG launched two self-owned brands: "teelocker" designer t-shirts and "Monstons" innerwear and homewear, to capture the region's explosive consumption demand in the year. Launched in July 2010, "Monstons" has already received meaningful orders from large supermarket chains and established 300 outlets nationally. The progress was very encouraging and solidified our business direction.

In September 2010, we successfully acquired 70% stake in "teelocker", a retail t-shirt brand mainly sold on the internet. In line with the growing popularity of online shopping, FGG revamped the "teelocker" website into a trendy and interactive portal for designers and shoppers worldwide to exchange ideas. Furthermore, "teelocker" has recently registered at "taobao.com", the largest and most popular shopping website in the PRC, to utilise the expanding internet business platform. To effectively promote the brand nationally, further marketing campaigns will be initiated in the coming year.

Share Placement

On 13 October 2010, the Group completed a share placement of 130 million new shares at HK\$1.83 each, with net proceeds amounting to approximately HK\$231.3 million. The successful placement reflected the market's confidence in our business direction and will provide sufficient funding for future developments.

PROSPECTS

The management expects cotton yarn prices to remain fluctuant in the foreseeable future hence the Group will continue to adopt a flexible yet cautious cotton yarn purchasing strategy in accordance to market conditions. To further sustain our cost advantages, the Group proposed to acquire 100% equity interest in an upstream spinning mill ("Target Company"). The Target Company is principally engaged in the manufacture and sale of yarn and has been a long-term supplier of the Group. Taking into account the Group's growing demand and consumption of cotton yarn, the acquisition will represent a good opportunity to vertically integrate our production processes. The integration will help stabilise our supply chain and strengthen our control on raw material costs, thus enhancing our margins in the long run. The acquisition constitutes as a discloseable and connected transaction for the Company under the Listing Rules of the Stock Exchange, and is subject to the approval of independent shareholders at a special general meeting to be held. A circular in relation to such transaction will be issued by the Company.

In contrast to the tardy recovery in Western economies, the PRC domestic market remains robust and will continue to be the Group's key region of expansion for the year 2011/2012. Leveraging on the country's rapid economic development and burgeoning consumption power, greater demand for quality textile and garments is projected. During the year, the Group has obtained increased orders from leading PRC sportswear and casual wear brands, thus solidifying our extending reach in the domestic market. The management believes that our growing focus in the region will also lessen the impacts of the RMB appreciation and improve our margins in general.

For our garment segment, FGG is establishing two new in-house production bases in Jordan and Cambodia respectively, where no import duty is imposed by the USA and Europe in which our major end-customers cluster. The new facilities will commence operation in the second half of 2011 and is expected to increase our overall capacity by 30%, assisting us to grasp the expected increase in orders following the gradual global recovery.

Going forward, the Directors believe that the overall business outlook will remain challenging. However, with our strong business foundation and competent business strategies, the Group is well-positioned to face all obstacles ahead to sustain our business model and to maximise profitability for our shareholders in the long run.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2011, the Group had total assets of HK\$6,494,536,000 (2010 (restated): HK\$5,704,997,000) which were financed by current liabilities of HK\$1,723,700,000 (2010 (restated): HK\$1,556,467,000), long term liabilities of HK\$789,518,000 (2010 (restated): HK\$928,478,000) and shareholders' equity of HK\$3,757,446,000 (2010 (restated): HK\$3,077,840,000). The current ratio was approximately 2.4 (2010: 2.2) and the gearing ratio, being the ratio of total borrowings (excluding bills discounted and debts factored, and net of bank balances and cash) to shareholders funds was 23% (2010: 35%). All of the Group's borrowings were at floating rate basis.

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

Foreign Exchange and Interest Rate Risks

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

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

Capital Expenditure

During the year, the Group invested approximately HK\$94.9 million on additions to property, plant and equipment.

As at 31 March 2011, the Group had capital commitments of approximately HK\$48.2 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 2011, certain property, plant and equipment and prepaid lease payments of the Group with net book value of approximately HK\$55 million (2010: HK\$75 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 31 March 2011, total number of employees of the Group were approximately 170 in Hong Kong and Macau (2010: 160), approximately 5 (2010: 5) in the USA and Canada, approximately 1,160 in Indonesia (2010: 1,065) and approximately 6,325 in the PRC (2010: 6,200). Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the final dividend for the year ended 31 March 2011, the register of members of the Company will be closed from 24 August 2011 to 26 August 2011 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for the final dividend for the year ended 31 March 2011, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on 23 August 2011.

PURCHASE, SALES 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 CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the year ended 31 March 2011 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange.

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

The Company has adopted a code of conduct ("Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the year ended 31 March 2011.

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

Hong Kong, 28 June 2011

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.