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 2012

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 2012 (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 2012

	NOTES	**2012**	2011
		HK$'000	*HK$'000*
Revenue	*2*	**3,835,261**	4,047,705
Cost of sales		**(3,119,141)**	(3,277,190)
Gross profit		**716,120**	770,515
Other income		**20,154**	14,120
Other gains and losses	*3*	**15,747**	19,285
Gain on bargain purchase of acquisition of subsidiaries	*4*	**85,047**	–
Distribution and selling expenses		**(72,044)**	(87,180)
General and administrative expenses		**(325,099)**	(280,261)
Listing expenses of a non-wholly owned subsidiary		–	(13,110)
Interest on bank borrowings		**(64,187)**	(53,386)
Other expenses	*4*	**(2,096)**	–

	NOTES	**2012**	2011
		HK$'000	*HK$'000*
Profit before tax		**373,642**	369,983
Income tax expense	*5*	**(26,509)**	(21,765)
Profit for the year	*6*	**347,133**	348,218
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year		**70,106**	160,126
Total comprehensive income for the year		**417,239**	508,344
Profit for the year attributable to:			
Owners of the Company		**341,249**	334,015
Non-controlling interests		**5,884**	14,203
		347,133	348,218
Total comprehensive income attributable to:			
Owners of the Company		**410,113**	492,638
Non-controlling interests		**7,126**	15,706
		417,239	508,344
Earnings per share	*8*		
Basic		**24.1 cents**	29.5 cents
Diluted		**24.1 cents**	29.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2012

	NOTES	**2012**	2011
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**2,759,284**	2,325,219
Prepaid lease payments		**183,536**	21,500
Investment property		**31,000**	–
Goodwill		**6,614**	6,185
Intangible asset		**1,000**	1,000
Other assets		**26,040**	18,916
Interest in a jointly controlled entity		–	–
Deferred tax assets		**1,899**	1,518
Deposit paid for acquisition of property, plant and equipment		**3,876**	9,778
		3,013,249	2,384,116
Current assets			
Inventories		**1,804,597**	2,239,743
Trade and bills receivables	*9*	**1,103,280**	916,238
Deposits, prepayments and other receivables		**194,363**	236,589
Prepaid lease payments		**4,568**	518
Derivative financial instruments		**22,185**	7,853
Taxation recoverable		**3,659**	–
Bank balances and cash		**1,099,022**	709,479
		4,231,674	4,110,420
Current liabilities			
Trade payables	*10*	**294,381**	390,016
Other payables and accruals		**153,779**	213,958
Dividend payable		**93**	659
Taxation payable		**83,362**	75,120
Bank borrowings – amount due within one year		**1,472,690**	1,031,508
Structured borrowings – amount due within one year		–	12,439
Derivative financial instruments		**8,833**	–
		2,013,138	1,723,700
Net current assets		**2,218,536**	2,386,720
Total assets less current liabilities		**5,231,785**	4,770,836

	2012	2011
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**15,474**	12,226
Reserves	**4,406,435**	3,745,220
Equity attributable to owners of the Company	**4,421,909**	3,757,446
Non-controlling interests	**236,529**	223,872
Total equity	**4,658,438**	3,981,318
Non-current liabilities		
Bank borrowings – amount due after one year	**484,526**	780,236
Deferred tax liabilities	**88,821**	9,282
	573,347	789,518
	5,231,785	4,770,836

NOTES:

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year, including early application of Amendments to HKAS 12 titled Deferred Tax – Recovery of Underlying Assets, 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.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRSs	Annual Improvements 2009 – 2011 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012
5 Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

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

  The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2015. Based on the Group's financial assets and financial liabilities as at 31 March 2012, the adoption of HKFRS 9 is not expected to have material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK(SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. Based on the existing group structure, the application of these five standards is not expected to have material impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 will be adopted by the Group for annual period beginning 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

2. SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services 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 2012

	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	**2,925,353**	**909,908**	**3,835,261**	**–**	**3,835,261**
Inter-segment sales	**106,115**	**–**	**106,115**	**(106,115)**	**–**
Total	**3,031,468**	**909,908**	**3,941,376**	**(106,115)**	**3,835,261**
RESULTS					
Segment results	**437,569**	**22,345**	**459,914**	**(179)**	**459,735**
Unallocated corporate income					**5,503**
Other gains and losses					**11,190**
Unallocated corporate expenses					**(38,599)**
Finance cost					**(64,187)**
Profit before tax					**373,642**

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	3,182,673	902,878	4,085,551	(37,846)	4,047,705
RESULTS					
Segment results	385,791	57,258	443,049	–	443,049
Unallocated corporate income					1,962
Other gains and losses					16,632
Unallocated corporate expenses					(38,274)
Finance cost					(53,386)
Profit before tax					369,983

Segment profit represents the profit earned by each segment without allocation of rental income, gain on fair value change of an investment property, gain on fair value changes of derivative financial instruments, (loss) gain on fair value change of structured borrowings, 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 prevailing market rate.

Segment assets and liabilities

At 31 March 2012

	Knitted fabric and dyed yarn ***HK$'000***	**Garment products** ***HK$'000***	**Consolidated total** ***HK$'000***
ASSETS			
Segment assets	**5,661,864**	**459,398**	**6,121,262**
Unallocated assets			**1,123,661**
Consolidated total assets			**7,244,923**
LIABILITIES			
Segment liabilities	**349,594**	**120,141**	**469,735**
Unallocated liabilities			**2,116,750**
Consolidated total liabilities			**2,586,485**

At 31 March 2011

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

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

- all assets other than certain bank balances and cash, derivative financial instruments, deferred tax assets, corporate assets and assets of non-core businesses are allocated to operating segments, and

- all liabilities other than current and deferred tax liabilities, certain bank borrowings, derivative financial instruments, corporate liabilities and liabilities of non-core businesses are allocated to operating segments.

Other segment information

At 31 March 2012

	Knitted fabric and dyed yarn ***HK$'000***	**Garment products** ***HK$'000***	**Segment/ Consolidated total** ***HK$'000***
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets *(note)*	**97,696**	**43,836**	**141,532**
Depreciation	**227,064**	**14,427**	**241,491**
Gain on bargain purchase of acquisition of subsidiaries	**85,047**	**–**	**85,047**
(Loss) gain on disposal of property, plant and equipment	**(1,012)**	**158**	**(854)**
Impairment loss recognised on receivables	**1,120**	**–**	**1,120**
Release of prepaid lease payments	**2,911**	**97**	**3,008**
Write-down of inventories	**–**	**1,564**	**1,564**

At 31 March 2011

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Segment/ Consolidated total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets *(note)*	85,769	10,119	95,888
Depreciation	192,646	15,363	208,009
Gain on disposal of property, plant and equipment and prepaid lease payments	71	508	579
Release of prepaid lease payments	409	92	501
Reversal of impairment loss recognised on receivables	1,110	–	1,110

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 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 other assets and deferred tax assets) by geographic location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**505,316**	576,866	**95,249**	53,539
PRC	**1,857,491**	2,054,901	**2,884,769**	2,296,345
United States of America ("USA")	**577,890**	502,586	**2**	102
Korea	**249,926**	80,626	**–**	–
Bangladesh	**170,619**	219,434	**–**	–
Taiwan	**136,486**	243,573	**–**	–
Canada	**100,546**	141,160	**–**	–
Others	**236,987**	228,559	**5,290**	13,696
	3,835,261	4,047,705	**2,985,310**	2,363,682

Information about major customers

None of the customers individually contributed over 10% of the Group's total annual revenue for each of the two years ended 31 March 2012.

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. No information about products and service is presented as the information is not available and the cost to develop such information is excessive.

3. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Gain on fair value changes of derivative financial instruments	**16,181**	15,731
Net foreign exchange gain	**5,677**	1,543
Gain on fair value change of an investment property	**662**	–
(Loss) gain on fair value changes of structured borrowings	**(4,799)**	322
(Impairment loss) reversal of impairment loss recognised on receivables	**(1,120)**	1,110
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	**(854)**	579
	15,747	19,285

4. GAIN ON BARGAIN PURCHASE OF ACQUISITION OF SUBSIDIARIES

On 29 July 2011, the Group completed its acquisition of the entire equity interest in Global Honour Investments Limited ("Global Honour"), an investment holding company, from Time View Investments Limited (the "Global Honour Acquisition").

Global Honour owns the entire equity interest in Nanjing Synergy Textiles Limited ("Nanjing Synergy") which is a company established in the PRC and principally engaged in the manufacture and sales of yarn.

In the opinion of the Directors, the Global Honour Acquisition provides the Group an opportunity to gain access to the upstream operation of its production line.

Consideration transferred

	HK$'000
Share consideration *(note)*	**298,205**

note:

The consideration was satisfied by an issuance of 257,584,430 ordinary shares of the Company with par value of HK$0.01 each. These shares cannot be transferred within one year from the date of issue without written consent of the Company. The fair value of these shares was arrived at based on the market price of the Company's freely tradable shares as at the date of the acquisition and discounted by approximately 14.87% to take into account of the effect of the restriction on transfer.

Acquisition-related costs of HK$2,096,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the year and included in the "other expenses" line item in the consolidated statement of comprehensive income.

Gain on bargain purchase on acquisition

	HK$'000
Consideration transferred	**298,205**
Less: fair value of identifiable net assets acquired	**(383,252)**
Gain on bargain purchase on acquisition	**(85,047)**

The gain on bargain purchase on acquisition was mainly attributable to the decline in market price of the consideration shares from the date of entering the conditional sale and purchase agreement to the date of completion of the acquisition.

5. INCOME TAX EXPENSE

	2012 ***HK$'000***	2011 *HK$'000*
The tax charge comprises:		
Current tax:		
Current year		
– Hong Kong Profits Tax	**10,344**	14,878
– Enterprise Income Tax in the PRC attributable to subsidiaries	**16,126**	16,878
– Overseas income tax	**–**	151
	26,470	31,907
Under(over)provision in respect of prior years	**184**	(12,190)
	26,654	19,717
Deferred taxation	**(145)**	2,048
	26,509	21,765

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.

6. PROFIT FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**16,600**	17,041
Other staff costs	**344,275**	301,412
Total staff costs	**360,875**	318,453
Auditor's remuneration	**3,306**	2,853
Depreciation of property, plant and equipment	**241,491**	208,009
Release of prepaid lease payments	**3,008**	501
and after crediting:		
Government grants	**1,908**	4,880
Bank interest income	**9,863**	1,953

7. DISTRIBUTIONS

	2012	2011
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2012 interim dividend of HK2.5 cents (2011: HK3.0 cents) per ordinary share	**48,083**	36,374
2011 final dividend of HK4.0 cents (2011: 2010 final dividend of HK4.0 cents) per ordinary share	**48,903**	42,564
	96,986	78,938

The final dividend of HK2.5 cents (2011: HK4.0 cents) per share amounting to HK$38,684,000 (2011: HK$48,093,000), which will be in cash with a scrip dividend option, has been calculated by reference to the 1,547,356,666 issued ordinary shares outstanding as at the date these consolidated financial statements were approved for issuance by the Directors, has been proposed by the Directors and is subject to approval by the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting.

8. 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:

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**341,249**	334,015
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	**(113)**	(117)
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**341,136**	333,898
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,413,699,608**	1,131,024,311

The computation of diluted earnings per share for the year ended 31 March 2012 and 2011 does not assume the exercise of the Company's share options because the exercise price of the Company's share options outstanding for the respective years was higher than the average market price of the shares.

9. TRADE AND BILLS RECEIVABLES

The Group generally allows its trade customers a 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:

	2012	2011
	HK$'000	*HK$'000*
0 – 60 days	**784,166**	665,588
61 – 90 days	**174,473**	168,987
91 – 120 days	**114,760**	62,596
Over 120 days	**29,881**	19,067
	1,103,280	916,238

10. TRADE PAYABLES

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

	2012	2011
	HK$'000	*HK$'000*
0 – 60 days	**270,099**	240,400
61 – 90 days	**14,855**	93,754
Over 90 days	**9,427**	55,862
	294,381	390,016

The 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 HK2.5 cents per share (each a "Share") of HK$0.01 each of the Company in respect of the year ended 31 March 2012 to Shareholders whose names appear on the register of members of the Company on 7 September 2012 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 (the "AGM") of the Company and the granting by The Stock Exchange of Hong Kong Limited (the "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 2012.

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

BUSINESS REVIEW

During the reporting period, the operating environment of global textile and garment industry had undergone severe challenges: diminished demand from export and domestic markets, sharp decline of cotton price and surging production costs in the PRC due to inflation. All these unfavourable factors inevitably affected the Group's globalized business in terms of order book, cost control, and profitability.

For the year ended 31 March 2012, the Group's consolidated revenue was approximately HK$3,835 million, representing a drop of approximately 5.2% in comparison to the previous fiscal year (2011: HK$4,048 million). Profit attributable to owners of the Company was approximately HK$341 million, which included net gain on bargain purchase of acquisition of subsidiaries of approximately HK$83 million, net gain on fair value changes of derivative financial instruments and structured borrowings of approximately HK$11 million (2011: HK$16 million) and staff option expenses of approximately HK$11 million (2011: HK$8 million). Hence, profit from normal operations was approximately HK$251 million after adjusting the above-mentioned non-operating gains and losses, representing a decrease of approximately 23.5% from the previous fiscal year (2011: HK$328 million). Earnings per share was HK24.1 cents (2011: HK29.5 cents).

Textile Business

Production and sales of knitted fabric and dyed yarn are the principal operations of the Group and accounted for approximately 76.3% of the Group's consolidated revenue, while the remaining approximately 23.7% was from the garment business.

For the year under review, the biggest challenge was the heavy slump in the price of cotton, the major raw materials of textile manufacturing. In contrast to the escalating cotton price in the previous fiscal year, the price dropped by over 40% from the peak point by the end of the year. The Group immediately altered the procurement strategy by ceasing bulk cotton purchase to minimise losses. Nevertheless, the drop in the cotton price affected our profitability adversely in a longer term as it limited our bargaining power in selling price of our products.

During the year, the lingering uncertainties in the USA recovery and European debt crisis, as well as the tightening of fiscal policies against inflation by the government of the PRC also weakened the global consumer sentiment. Buyers were more prudent in placing order both in terms of size and frequency. As a result, the sales volume decreased by approximately 12% for the year under review, and the diminished order size had reduced production output and cost-efficiency, thereby shrinking the profit margins of the Group.

Garment Business

For the year under review, revenue of our garment arm, Ford Glory Group Holdings Limited ("FGG") rose slightly to approximately HK$910 million, representing a marginal growth of approximately 0.8% in comparison to the previous corresponding year. The gross profit of FGG decreased to approximately HK$143 million, representing an approximately 7.4% decrease as compared with last year.

Profit attributable to owners of FGG was approximately HK$7 million, representing an approximately 57.9% decrease as compared to that of last year. This was mainly attributable to (i) the provision made for share options granted by FGG under its share option scheme during the year; (ii) the decrease in average selling price and profit margin due to macroeconomic downturn; and (iii) the increase in preliminary expenses associated with the launching of new production facilities in Cambodia. The profit for the year of FGG included share-based payment of approximately HK$11 million, whereas the profit for last year included listing expenses of approximately HK$13 million and share-based payment of approximately HK$8 million. If the share-based payment and the listing expenses were excluded in respective years, the adjusted profit attributable to owners of FGG for the year would be approximately HK$18 million, representing a drop of approximately 52.2% as compared with same last year (2011: HK$39 million).

Major Developments

Upstream Acquisition

In order to better prepare for the anticipated gradual economy recovery, the Group endeavoured to optimise our value chain and operation efficiency. On 29 July 2011, the Group successfully completed the acquisition of our long term yarn supplier – Nanjing Synergy. Management believes that such acquisition brings synergy and cost benefit to our vertical integrated production, and expects that the synergy will be reflected in the margins in the coming fiscal year. Currently, Nanjing Synergy supplies less than 20% of the Group's yarn purchases. In the coming three years, the Group intends to further invest in its yarn spinning capacity to lift Nanjing Synergy's contribution to the level of 40%, which can further improve the profit margin of the Group.

A HK$1,388 million syndicated loan obtained

On 15 March 2012, the Group obtained a syndicated loan facility of HK$1,388 million for a term of three and a half years from a syndicate of 19 international and regional banks at an interest rate of HIBOR plus 2.93% per annum. The loan was mainly used for refinancing the syndicated loan of HK$928 million obtained in 2009, and for general working capital. With the loan in place, the Directors are confident of meeting our business objectives and effectively planning for our future expansions.

PROSPECTS

Since September 2011, the cotton price has been stabilised at the level of RMB19,800 per tonnage. Given the "2012 Temporary Cotton Purchasing and Storage Plan" ("2012年度棉花臨時收儲預案") announced by the PRC government that essentially guarantees the base price of cotton at RMB20,400 per tonnage (from September 2012 to March 2013), coupled with the sufficient cotton supply in the global market, the possibility of fluctuation in cotton price has been narrowed. In turn, the Group's order book has been gradually normalised in 2012/2013 and the financial position has also turned healthier with lower raw material inventory at hand.

Even though the global economy is full of uncertainties, the Directors believe that the demand for textile and garment products exists in different economic cycles. During the difficult times in the past two years, a considerable number of players have left the market, which has cut down the total capacity in the industry but that has strengthened our leading position in such market consolidation. To propel forward, the Directors constantly reviews and adjusts our development strategies to mitigate any threats that would hinder our growth. The Group has also been proactively implementing cost control initiatives such as upstream integration and plant relocation, as well as strategies to explore new business ventures to vitalise the garment and retailing segment. All these measures together will drive the Group forward during this challenging time, and more importantly will solidify our foundation against economic uncertainties and for a long term growth.

The Group will remain focused on our vision of being one of the leading textile and garment players in the world and will strive to deliver the best results over different economic and market cycles.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2012, the Group had total assets of approximately HK$7,244,923,000 (2011: HK$6,494,536,000) which were financed by current liabilities of approximately HK$2,013,138,000 (2011: HK$1,723,700,000), long term liabilities of approximately HK$573,347,000 (2011: HK$789,518,000) and shareholders' equity of approximately HK$4,421,909,000 (2011: HK$3,757,446,000). The current ratio was approximately 2.1 (2011: 2.4) 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 approximately 11% (2011: 23%). 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$142 million on additions to property, plant and equipment.

As at 31 March 2012, the Group had capital commitments of approximately HK$61 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 2012, certain property, plant and equipment, prepaid lease payments and investment property of the Group with net book value of approximately HK$158 million (2011: HK$55 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 31 March 2012, total number of employees of the Group were approximately 165 in Hong Kong and Macau, approximately 2 in the USA and Canada, approximately 1,120 in Indonesia, approximately 470 in Cambodia, approximately 950 in Jordan, and approximately 5,000 in the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide senior management 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 2012, the register of members of the Company will be closed from 5 September 2012 to 7 September 2012 (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 2012, 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 4 September 2012.

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 2012 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules (the "Listing Rules") (known as "Corporate Governance Code" with effect from 1 April 2012) 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 (the "Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the year ended 31 March 2012.

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

Hong Kong, 28 June 2012

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*