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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: 539)**

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2015**

#### **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 2015 (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 2015*

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Revenue	2	<b>5,137,415</b>	5,371,883
Cost of sales		<b>(4,180,872)</b>	(4,497,689)
Gross profit		<b>956,543</b>	874,194
Other income		<b>50,527</b>	60,708
Other gains and losses	3	<b>(37,011)</b>	2,830
Distribution and selling expenses		<b>(110,163)</b>	(127,334)
General and administrative expenses		<b>(418,199)</b>	(404,138)
Finance costs		<b>(124,599)</b>	(113,241)
Gain on disposal of subsidiaries	10(b)	<b>227,674</b>	—
Profit before taxation		<b>544,772</b>	293,019
Income tax expense	4	<b>(28,372)</b>	(10,841)

	<i>Note</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Profit for the year	5	<b>516,400</b>	282,178
Other comprehensive (expense)/income:			
<i>Items that may be subsequently reclassified</i> <i>to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<b>(851)</b>	2,162
Fair value change of an available-for-sale investment		<b>219</b>	443
Reclassification of translation reserve upon disposal of subsidiaries		<b>3</b>	—
		<b>(629)</b>	2,605
<i>Item that will not be subsequently reclassified</i> <i>to profit or loss:</i>			
Fair value adjustment of investment properties reclassified from property, plant and equipment		<b>14,541</b>	—
Other comprehensive income for the year		<b>13,912</b>	2,605
Total comprehensive income for the year		<b>530,312</b>	284,783
Profit for the year attributable to:			
Owners of the Company		<b>400,459</b>	277,389
Non-controlling interests		<b>115,941</b>	4,789
		<b>516,400</b>	282,178
Total comprehensive income attributable to:			
Owners of the Company		<b>407,253</b>	279,685
Non-controlling interests		<b>123,059</b>	5,098
		<b>530,312</b>	284,783
Earnings per share	7		
Basic		<b>HK22.6 cents</b>	HK16.5 cents
Diluted		<b>HK22.2 cents</b>	HK16.1 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2015

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		3,225,266	3,126,408
Prepaid lease payments		201,116	205,698
Investment properties		54,800	31,200
Goodwill		6,614	6,614
Intangible asset		–	1,000
Interest in a joint venture		–	–
Restricted bank deposit		94,396	91,794
Deferred tax assets		2,524	2,329
Deposit paid for acquisition of property, plant and equipment		18,828	8,609
Other assets		26,040	26,040
		<u>3,629,584</u>	<u>3,499,692</u>
<b>Current assets</b>			
Inventories		2,603,275	2,692,841
Trade and bills receivables	8	1,610,126	1,654,357
Deposits, prepayments and other receivables		213,701	236,129
Prepaid lease payments		4,891	5,200
Derivative financial instruments		643	12,401
Available-for-sale investment		1,754	1,535
Taxation recoverable		1,690	494
Bank balances and cash		2,003,390	1,300,491
		<u>6,439,470</u>	<u>5,903,448</u>
<b>Current liabilities</b>			
Trade and bills payables	9	358,248	519,761
Other payables and accruals		110,653	154,545
Dividend payable		202	189
Taxation payable		78,869	81,186
Derivative financial instruments		98,266	42,675
Bank borrowings – amount due within one year		2,247,489	2,008,209
		<u>2,893,727</u>	<u>2,806,565</u>
<b>Net current assets</b>		<u>3,545,743</u>	<u>3,096,883</u>
<b>Total assets less current liabilities</b>		<u><u>7,175,327</u></u>	<u><u>6,596,575</u></u>

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	18,625	17,487
Reserves	5,350,774	4,956,906
	<hr/>	<hr/>
Equity attributable to owners of the Company	5,369,399	4,974,393
Non-controlling interests	144,688	258,541
	<hr/>	<hr/>
<b>Total equity</b>	5,514,087	5,232,934
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Bank borrowings – amount due after one year	1,576,460	1,279,079
Deferred tax liabilities	84,780	84,562
	<hr/>	<hr/>
	1,661,240	1,363,641
	<hr/>	<hr/>
	7,175,327	6,596,575
	<hr/> <hr/>	<hr/> <hr/>

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the amendments to HKFRSs and the new 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.

## 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:

HKFRS 9	Financial Instruments <sup>5</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>3</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>3</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

## 2. SEGMENT INFORMATION

The Group's operations are organised into three 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 three operating and reportable segments are as follows:

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

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

### Year ended 31 March 2015

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Resin HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated total HK\$'000
REVENUE						
External sales	4,211,183	917,704	8,528	5,137,415	–	5,137,415
Inter-segment sales	61,508	–	–	61,508	(61,508)	–
Total	<u>4,272,691</u>	<u>917,704</u>	<u>8,528</u>	<u>5,198,923</u>	<u>(61,508)</u>	<u>5,137,415</u>
RESULTS						
Segment operating results	437,469	27,112	(9,495)	455,086	–	455,086
Gain on disposal of subsidiaries	–	227,674	–	227,674	–	227,674
Segment results	<u>437,469</u>	<u>254,786</u>	<u>(9,495)</u>	<u>682,760</u>	<u>–</u>	<u>682,760</u>
Unallocated corporate income						25,967
Other gains and losses						(25,104)
Unallocated corporate expenses						(14,252)
Finance costs						(124,599)
Profit before taxation						<u>544,772</u>

	Knitted fabric and dyed yarn <i>HK\$ '000</i>	Garment products <i>HK\$ '000</i>	Resin <i>HK\$ '000</i>	Segment total <i>HK\$ '000</i>	Eliminations <i>HK\$ '000</i>	Consolidated total <i>HK\$ '000</i>
REVENUE						
External sales	4,051,685	937,075	383,123	5,371,883	–	5,371,883
Inter-segment sales	53,191	–	–	53,191	(53,191)	–
	<u>4,104,876</u>	<u>937,075</u>	<u>383,123</u>	<u>5,425,074</u>	<u>(53,191)</u>	<u>5,371,883</u>
Total	<u>4,104,876</u>	<u>937,075</u>	<u>383,123</u>	<u>5,425,074</u>	<u>(53,191)</u>	<u>5,371,883</u>
RESULTS						
Segment results	<u>360,273</u>	<u>15,903</u>	<u>1,690</u>	<u>377,866</u>	<u>–</u>	<u>377,866</u>
Unallocated corporate income						38,157
Other gains and losses						9,213
Unallocated corporate expenses						(18,976)
Finance costs						<u>(113,241)</u>
Profit before taxation						<u>293,019</u>

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

## Segment assets and liabilities

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

### At 31 March 2015

	<b>Knitted fabric and dyed yarn <i>HK\$'000</i></b>	<b>Garment products <i>HK\$'000</i></b>	<b>Resin <i>HK\$'000</i></b>	<b>Consolidated total <i>HK\$'000</i></b>
ASSETS				
Segment assets	7,134,653	631,120	294,236	8,060,009
Unallocated assets				2,009,045
				<hr/>
Consolidated total assets				<b>10,069,054</b>
				<hr/>
LIABILITIES				
Segment liabilities	384,649	80,866	68	465,583
Unallocated liabilities				4,089,384
				<hr/>
Consolidated total liabilities				<b>4,554,967</b>
				<hr/>

### At 31 March 2014

	<b>Knitted fabric and dyed yarn <i>HK\$'000</i></b>	<b>Garment products <i>HK\$'000</i></b>	<b>Resin <i>HK\$'000</i></b>	<b>Consolidated total <i>HK\$'000</i></b>
ASSETS				
Segment assets	7,201,572	540,271	345,046	8,086,889
Unallocated assets				1,316,251
				<hr/>
Consolidated total assets				<b>9,403,140</b>
				<hr/>
LIABILITIES				
Segment liabilities	603,137	85,737	20,196	709,070
Unallocated liabilities				3,461,136
				<hr/>
Consolidated total liabilities				<b>4,170,206</b>
				<hr/>



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

- all assets other than bank balances and cash, 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, bank borrowings, derivative financial instruments, corporate liabilities and liabilities of non-core businesses are allocated to operating segments.

### Other segment information

#### At 31 March 2015

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Resin <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 (note)	309,978	24,265	34,841	369,084
Depreciation of property, plant and equipment	230,807	20,963	5,255	257,025
Gain (loss) on disposal of property, plant and equipment	3,166	(408)	–	2,758
Release of prepaid lease payments	4,248	99	544	4,891
Impairment loss on property, plant and equipment	–	(1,021)	–	(1,021)
Impairment loss on intangible asset	–	(1,000)	–	(1,000)
Write-down of inventories	–	910	–	910
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### At 31 March 2014

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Resin <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 (note)	406,525	16,072	46,489	469,086
Depreciation of property, plant and equipment	232,555	20,753	3,996	257,304
Gain (loss) on disposal of property, plant and equipment	5,087	(1,009)	–	4,078
Release of prepaid lease payments	4,286	99	–	4,385
Write-down of inventories	–	1,834	–	1,834
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

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, restricted bank deposit and deferred tax assets) by geographic location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	721,771	702,905	87,985	77,260
PRC	2,139,906	2,495,246	3,363,105	3,257,851
United States of America ("US")	689,467	568,877	—	90
Bangladesh	487,961	449,423	—	—
Korea	465,618	306,544	—	—
Taiwan	255,861	257,785	—	—
Germany	119,595	90,949	—	—
Singapore	94,901	96,006	—	—
Others	162,335	404,148	55,534	44,328
	<u>5,137,415</u>	<u>5,371,883</u>	<u>3,506,624</u>	<u>3,379,529</u>

## 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 2015.

## Information about products and services

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

### 3. OTHER GAINS AND LOSSES

	2015 HK\$'000	2014 HK\$'000
Net (loss) gain on fair value change of derivative financial instruments	(28,106)	2,785
Gain on fair value change of a restricted bank deposit	2,602	3,150
Gain (loss) on fair value change of investment properties	400	(800)
Gain on disposal of property, plant and equipment	2,758	4,078
Impairment loss on property, plant and equipment	(1,021)	–
Impairment loss on intangible asset	(1,000)	–
Net foreign exchange losses	(12,644)	(6,383)
	<u>(37,011)</u>	<u>2,830</u>

### 4. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
The tax charge comprises:		
Current tax:		
Current year		
– Hong Kong Profits Tax	12,465	10,733
– PRC Enterprise Income Tax (“EIT”)	15,604	10,238
– PRC Capital gain tax	3,732	–
– Overseas income tax	1,059	622
	<u>32,860</u>	<u>21,593</u>
Overprovision in respect of prior years	(4,511)	(7,855)
	<u>28,349</u>	<u>13,738</u>
Deferred taxation		
Current year	23	(2,897)
	<u>28,372</u>	<u>10,841</u>

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

EIT in the PRC is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC for both years, as determined in accordance with relevant income tax rules and regulations in the PRC.

Capital gain tax is calculated at a rate of 10% (as stipulated in the PRC tax rules and regulations) on the difference between the consideration from the transfer of equity interests in certain subsidiaries of the Company incorporated in the PRC (Note 10(a)) and the cost of equity rights in the PRC subsidiaries at the date of completion of the Acquisition (as defined in Note 10).

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

## 5. PROFIT FOR THE YEAR

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	21,847	20,039
Share-based payment expenses (included in general and administrative expenses, excluded amount attributable to Directors)	–	1,004
Other staff costs	524,778	502,163
Total staff costs	546,625	523,206
Auditor's remuneration	3,768	4,208
Depreciation of property, plant and equipment	257,025	257,304
Release of prepaid lease payments	4,891	4,385
Write-down of inventories (included in cost of sales)	910	1,834
and after crediting:		
Bank interest income	25,967	34,939
Government grants	2,071	–
Rental income from investment properties	1,572	1,100
Other interest income	–	3,146

## 6. DISTRIBUTIONS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2015 interim dividend of HK5.0 cents (2014: HK3.0 cents) per ordinary share	90,166	51,391
2014 final dividend of HK4.0 cents (2014: 2013 final dividend of HK2.5 cents) per ordinary share	69,947	41,465
	160,113	92,856

Subsequent to the end of the reporting period, a final dividend of HK3.0 cents (2014: final dividend in respect of the year ended 31 March 2014 of HK4.0 cents) per share and a special dividend of HK4.0 cents per share (2014: nil) in respect of the year ended 31 March 2015, which will be payable in cash with a scrip dividend option, have been proposed by the Directors and are subject to approval by the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting ("AGM").

## 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:

	2015 HK\$'000	2014 HK\$'000
<b>Earnings</b>		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	400,459	277,389
Effect of dilutive potential ordinary shares: Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	(212)	(599)
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	<u>400,247</u>	<u>276,790</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,775,244,528	1,677,002,667
Effect of dilutive potential ordinary shares: Company's share options	31,102,111	34,559,668
Warrants	—	4,693,616
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,806,346,639</u>	<u>1,716,255,951</u>

## 8. TRADE AND BILLS RECEIVABLES

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

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

	2015 HK\$'000	2014 HK\$'000
0-60 days	1,021,484	1,134,681
61-90 days	362,784	269,794
91-120 days	147,882	192,537
Over 120 days	77,976	57,345
	<u>1,610,126</u>	<u>1,654,357</u>

## 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:

	2015 HK\$'000	2014 HK\$'000
0-60 days	251,461	455,057
61-90 days	53,830	60,189
Over 90 days	52,957	4,515
	<u>358,248</u>	<u>519,761</u>

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

## 10. ACQUISITION/DISPOSAL OF INTERESTS IN SUBSIDIARIES

On 14 March 2014, Sure Strategy Limited (“Sure Strategy”) and Victory City Investments Limited (“VC Investments”), both being subsidiaries of the Company, and Merlotte Enterprise Limited (“Merlotte”), a non-controlling shareholder of a subsidiary of the Company, and an independent third party (the “Purchaser”) entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to purchase and Sure Strategy, VC Investments and Merlotte conditionally agreed to sell their respective 315,200,000, 2,448,000 and 2,352,000 ordinary shares in Highlight China IoT International Limited (“Highlight China”, formerly known as Ford Glory Group Holdings Limited), a former subsidiary of the Company, at an aggregate cash consideration of HK\$258,560,000 (the “Disposal”).

Upon signing of the sale and purchase agreement in relation to the Disposal, HK\$20,000,000 was paid by the Purchaser to Sure Strategy as a refundable deposit, which was included in other payables at 31 March 2014.

On the same day, Sure Strategy and Highlight China entered into an agreement pursuant to which Sure Strategy conditionally agreed to acquire and Highlight China conditionally agreed to dispose of its entire equity interest in Ford Glory Holdings Limited and certain of its subsidiaries (the “Target Group”) at a cash consideration of HK\$270,000,000 (the “Acquisition”). The Target Group is principally engaged in the manufacturing and sale of garment products by the self-owned factories of the Target Group in the PRC, Indonesia, Cambodia and Jordan based on the designs and specifications provided by its customers.

Completion of the Disposal was conditional upon, among other things, completion of the Acquisition. The Acquisition and Disposal were completed on 22 July 2014.

Upon completion of the Acquisition and Disposal, the Group received a special cash dividend from Highlight China on a basis of HK\$0.72 per Highlight China’s share.

### (a) Acquisition of additional interests in subsidiaries

The companies comprising the Target Group are subsidiaries of the Company since their incorporation or being acquired by the Group. The Acquisition has resulted in changes in the Group’s shareholding of the Target Group companies, without any changes in its control over them. Accordingly, the Acquisition has been accounted for as an equity transaction and no goodwill has been recognised upon completion of the Acquisition. The difference between the consideration paid and the net asset value of the Target Group, attributable to the change of non-controlling interests (as a result of the Acquisition), of HK\$4,433,000 has been credited to accumulated profits.

**(b) Disposal of subsidiaries**

Upon completion of the Acquisition, the Group disposed of its approximately 61.11% equity interest in Highlight China and Highlight China ceased to be a subsidiary of the Group.

The net assets of Highlight China at the date of the Disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	190
Inventories	21,793
Trade receivables	45,707
Deposits, prepayments and other receivables	5,470
Bank balances and cash	20,134
Trade payables	(37,148)
Other payables and accrual	(6,838)
Taxation payable	(1,877)
	<hr/>
Net assets	47,431
Less: Non-controlling interests	(18,445)
	<hr/>
Net assets disposed of	28,986
Gain on disposal	227,674
	<hr/>
Total consideration to Sure Strategy and VC Investments, satisfied by cash	256,660
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Total cash consideration	256,660
Deposit received for the year ended 31 March 2014	(20,000)
Bank balances and cash disposed of	(20,134)
	<hr/>
	216,526
	<hr/> <hr/>

During the year ended 31 March 2015, contribution of Highlight China and its subsidiaries to the Group's revenue and profit attributable to owners of the Company was insignificant. Net cash flow of Highlight China and its subsidiaries before the Disposal was also insignificant to the Group.

## **DIVIDENDS**

The Directors have resolved to recommend the payment of a final dividend (the “Final Dividend”) of HK3.0 cents per share (each a “Share”) of HK\$0.01 each of the Company and a special dividend (the “Special Dividend”) of HK4.0 cents per Share, in view of the Company’s gain upon disposal of the equity interest in a former subsidiary of the Group, in respect of the year ended 31 March 2015 to the Shareholders whose names appear on the register of members of the Company on 9 September 2015 and also to recommend the offer to the Shareholders the right to elect as an alternative, to receive the Final Dividend and the Special 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 the Final Dividend and the Special Dividend at the AGM 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 and the Special Dividend for the year ended 31 March 2015.

On condition that the payment of the Final Dividend and the Special 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**

For the year ended 31 March 2015, operating environment for textile and garment industry continued to show signs of recovery and stabilisation in the US and the PRC. According to China Customs Statistics, exports of textile products and garment products from China recorded a steady growth rate of 4.9% and 5.2% in 2014 respectively. On the other hand, consumer confidence in the US, which is the Group’s major export market, has shown consistent improvement. The University of Michigan Consumer Sentiment Index maintained at a high level during the reporting year, and even reached its highest since 2004 at 98.1 in January 2015, signaling optimistic sentiment for the country’s economic recovery. With the support of such stable environment, the Group has been able to leverage on the competitive advantages of its vertically-integrated textile and garment production facilities and capture the reviving orders in a timely manner. As a result of such efforts, the Group achieved persistent growth amidst the continuing market consolidation in the supply chain.

During the reporting period, the consolidated revenue of the Group amounted to approximately HK\$5,137 million, representing a slight decrease of approximately 4.4% in comparison to the previous fiscal year (2014: HK\$5,372 million). Gross profit was approximately HK\$957 million, representing a growth of approximately 9.4% from the previous year (2014: HK\$874 million). Profit attributable to owners of the Company for the reporting year amounted to approximately HK\$400 million, which included gain on disposal of subsidiaries of approximately HK\$228 million, net loss on fair value change of derivative financial instruments of approximately HK\$28 million and net gain on fair value change of a restricted bank deposit of approximately HK\$3 million. For the previous fiscal year, profit attributable to owners of the Company was approximately HK\$277 million, which included net gain on fair value



change of derivative financial instruments of approximately HK\$3 million, net gain on fair value change of a restricted bank deposit of approximately HK\$3 million, net loss on fair value change of an investment property of approximately HK\$1 million and a one-off amortisation of bank arrangement fee of approximately HK\$16 million. Hence, profit from core operation for the year ended 31 March 2015 was approximately HK\$313 million after adjusting the above-mentioned non-operating gains and losses, representing an increase of approximately 6.5% from the previous year (2014: HK\$294 million). Basic earnings per share was HK22.6 cents (2014: HK16.5 cents).

## **Textile Business**

For the year ended 31 March 2015, production and sale of knitted fabric and dyed yarn remained as the Group's principal operations, accounting for approximately 82.0% of the Group's consolidated revenue.

Riding on the relatively stable economic recovery in the US, order book for the Group's textile business remained satisfactory during the reporting year. As the Group expanded its production capacity of knitted fabric by approximately 20% in November 2013 in its flagship production base in Xinhui, Guangdong Province, the PRC, it was able to capture the recovering orders and operate at a high utilisation level. However, the new cotton policy in the PRC implemented at the beginning of 2014 has led to a continued drop in domestic cotton price during the reporting year. As an essential raw material for the Group's yarn spinning and textile production, the decrease in cotton price had accordingly down-trended the average selling price of the Group's textile products, particularly in the second half of the reporting year. Nevertheless, the increase in the output volume had offset the product price adjustments and contributed to approximately HK\$4,211 million revenue achieved for the textile segment, representing an approximately 3.9% year-on-year growth (2014: HK\$4,052 million).

To counter the rising operating cost, particularly labour cost in the PRC, the Group has dedicated more resources in machinery upgrade and automation during the reporting year. The reduction in the reliance of labour has enabled the Group to save labour cost, improve its production efficiency and enhance quality and productivity. The Group will continue to devote efforts and resources to strengthen its product quality and price competitiveness, in order to retain its position as the preferred textile and garment supplier for its extensive global clientele.

## **Garment Business**

Subsequent to the completion on 22 July 2014 of disposal of Highlight China, which is mainly involved in the Group's garment sourcing business, garment manufacturing became the primary operation of the business segment for the remaining of the reporting year. Nonetheless, the Group's garment business continued to grow steadily even without the revenue contribution from garment sourcing. For the year ended 31 March 2015, revenue of the Group's garment business registered at approximately HK\$918 million which is comparable with the Group's consolidated garment revenue of HK\$937 million in the last year even excluding the revenue contribution from garment sourcing business since 22 July 2014. This was attributable to the Group's proactive strategies in enhancing self-owned garment production capabilities in selected off-shore countries to seize opportunities from the recovery of the US economy and consumer sentiment.

In the beginning of 2014, the Group expanded the production capacity of its Jordan and Indonesia production bases by 50% and 20% respectively which enabled the Group to satisfy the restoring orders from the US during the reporting year. The Group further took advantage of its self-owned production bases in the PRC, Cambodia, Indonesia and Jordan and was able to allocate orders flexibly to deliver quality garment products with fast lead time and competitive pricing. Such arrangements helped enhance the segment's margin for the year ended 31 March 2015.

Amongst its offshore production bases, the Group's Jordan production plant recorded impressive results during the reporting year. Benefitting from the recovering orders from established brand-name customers and its advantageous duty free export treatment to the US, the Jordan plant was able to thoroughly utilise the increased capacity and operated at full capacity during the year. Revenue contribution from the Jordan plant registered a significant growth during the reporting year.

With multiple benefits brought by its strategically located production bases and the outlined expansion plans, the garment business is expected to maintain its competitiveness and profitability in the long run.

### **Resin Business**

In order to concentrate financial and human resources on its core textile and garment business, the Group began minimising its investment in the resin business during the reporting year. The Group has successfully leased the resin production site and facilities to a third party operator. Not only has the lease secured a stable inflow of leasing fees for the Group, it has also allowed the Group to focus its resources on its core textile and garment business.

### **Major Movements**

*Completion of both share sale of Highlight China, (stock code: 1682.HK) and acquisition of the garment manufacturing business of Highlight China*

On 22 July 2014, Sure Strategy, VC Investments and Merlotte completed the sale of their aggregate interest of 320,000,000 shares of Highlight China, representing approximately 61.56% of the entire issued share capital of Highlight China on a fully diluted basis, to an independent third party at an aggregate consideration of HK\$258,560,000. On the same date, Sure Strategy completed the acquisition of its garment manufacturing business for HK\$270,000,000 in cash from Highlight China to retain the garment manufacturing business in the Group. As a result, the Group recorded a gain of approximately HK\$227.7 million.

## **PROSPECTS**

As indicated by the statistics from the US Bureau of Labour Statistics, unemployment rate slipped to 5.4% in April 2015, while the University of Michigan Consumer Sentiment Index maintained at a relatively high level of 95.9. These are encouraging signs for the start of fiscal year 2015/16, and the Group remains optimistic on the outlook of the textile and garment industry. Looking ahead, the Group will continue to strengthen its position amidst the ongoing consolidation of the textile industry by expanding its product and client portfolio while responding swiftly to changes in market trends and consumers' demand.

The Group has always been monitoring market sentiments in order to adjust its business strategies. According to the International Trade Administration, US import of man-made fibre products has increased by 7.8%, outperforming the growth of the overall textile and garment imports of 2.6% in 2014. Being aware of the increasingly extensive use of synthetic materials, the Group has devoted extra research and development efforts on the production of synthetic fibres during the reporting year and decided to expand its scale of synthetic fabric production to accommodate the rising market demand. Machines and production lines will be timely added according to order flows and stringent assessment will be carried out to maintain operating flexibility and efficiency. Moreover, the Group is considering the introduction of fabric printing facilities to further enhance its one-stop value-added services for its customers. With the additional fabrics offered to the customers on top of the cotton and cotton blend fabric, the Group is confident that the enlarged product mix will attract more bulk orders from both existing and new customers and bring stronger revenue contributions to the Group. In-house fabric printing production will not only reduce the outsourcing costs and ensure product quality, but will also benefit the Group's profit margin in the long run.

With the on-going supply side consolidation especially in the textile industry, the Group is committed to maintaining its sustainability in the knitted fabric and garment business, as well as fortifying the competitiveness of its one-stop vertically integrated operation in the industry. The Group's rapid response to the fast-changing market and customers' demands will surely fuel the Group's growth momentum in capturing the opportunities arising from the economic recoveries in overseas countries and the PRC in the forthcoming years and create greater value for the Shareholders.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 31 March 2015, the Group had total assets of approximately HK\$10,069 million (2014: HK\$9,403 million) which were financed by current liabilities of approximately HK\$2,894 million (2014: HK\$2,807 million), long term liabilities of approximately HK\$1,661 million (2014: HK\$1,364 million) and shareholders' equity of approximately HK\$5,369 million (2014: HK\$4,974 million). The current ratio was approximately 2.2 (2014: 2.1) 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 32.1% (2014: 38.1%). 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 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\$362 million on additions to property, plant and equipment.

As at 31 March 2015, the Group had capital commitments of approximately HK\$14 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 2015, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK\$406 million (2014: HK\$402 million) were pledged to banks to secure credit facilities granted.

### **Employee Information**

As at 31 March 2015, the total number of employees of the Group was approximately 1,540 in Cambodia, approximately 1,880 in Jordan, approximately 1,360 in Indonesia, approximately 5,290 in the PRC and approximately 130 in Hong Kong, Macau and other places. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

## **Events after the Reporting Period**

There are no material events affecting the Group which have occurred after 31 March 2015 and up to the date of this announcement.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the entitlement to the Final Dividend and the Special Dividend for the year ended 31 March 2015, the register of members of the Company will be closed from 7 September 2015 to 9 September 2015 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for the Final Dividend and the Special Dividend for the year ended 31 March 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 4 September 2015.

## **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**

Save as the deviation discussed below, the Company had complied throughout the year ended 31 March 2015 with the code provisions (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").

Code Provision A.6.7 provides that independent non-executive directors of listed issuers should attend general meetings. One independent non-executive Director did not attend the annual general meeting of the Company held on 28 August 2014 due to his other business commitments. One executive Director did not attend the special general meeting of the Company held on 17 February 2015 due to his other business commitments.

## **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 2015.

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

Hong Kong, 26 June 2015

*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*