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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 2016

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 2016 (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 2016

	Note	**2016** *HK$'000*	2015 *HK$'000*
Revenue	2	**4,911,216**	5,137,415
Cost of sales		**(4,038,277)**	(4,180,872)
Gross profit		**872,939**	956,543
Other income		**122,554**	50,527
Other gains and losses	3	**(38,658)**	(37,011)
Distribution and selling expenses		**(101,198)**	(110,163)
General and administrative expenses		**(432,840)**	(418,199)
Finance costs		**(140,397)**	(124,599)
Gain on disposal of subsidiaries	10	**–**	227,674
Profit before taxation		**282,400**	544,772
Income tax expense	4	**(32,880)**	(28,372)
Profit for the year	5	**249,520**	516,400

	Note	**2016**	2015
		HK$'000	*HK$'000*
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(311,851)**	(851)
Fair value change of an available-for-sale investment		**(48)**	219
Reclassification of translation reserve upon disposal of subsidiaries		**–**	3
		(311,899)	(629)
Item that will not be subsequently reclassified to profit or loss:			
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		**6,320**	14,541
Other comprehensive (expense) income for the year		**(305,579)**	13,912
Total comprehensive (expense) income for the year		**(56,059)**	530,312
Profit for the year attributable to:			
Owners of the Company		**241,811**	400,459
Non-controlling interests		**7,709**	115,941
		249,520	516,400
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(65,405)**	407,253
Non-controlling interests		**9,346**	123,059
		(56,059)	530,312
Earnings per share	7		
Basic		**HK11.9 cents**	HK22.6 cents
Diluted		**HK11.8 cents**	HK22.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**3,530,629**	3,225,266
Prepaid lease payments		**193,322**	201,116
Investment properties		**164,657**	54,800
Goodwill		**6,614**	6,614
Intangible asset		**–**	–
Interest in a joint venture		**–**	–
Restricted bank deposit		**60,324**	94,396
Deferred tax assets		**2,433**	2,524
Deposit paid for acquisition of property, plant and equipment		**30,894**	18,828
Other assets		**26,040**	26,040
		4,014,913	3,629,584
Current assets			
Inventories		**2,767,820**	2,603,275
Trade and bills receivables	8	**1,720,070**	1,610,126
Deposits, prepayments and other receivables		**178,197**	213,701
Prepaid lease payments		**4,815**	4,891
Derivative financial instruments		**–**	643
Available-for-sale investment		**1,694**	1,754
Taxation recoverable		**526**	1,690
Bank balances and cash		**2,111,088**	2,003,390
		6,784,210	6,439,470
Current liabilities			
Trade and bills payables	9	**397,117**	358,248
Other payables and accruals		**134,597**	110,653
Dividend payable		**197**	202
Taxation payable		**72,794**	78,869
Derivative financial instruments		**126,782**	98,266
Bank borrowings – amount due within one year		**1,849,123**	2,247,489
		2,580,610	2,893,727
Net current assets		**4,203,600**	3,545,743
Total assets less current liabilities		**8,218,513**	7,175,327

	2016	2015
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**22,722**	18,625
Reserves	**5,437,842**	5,350,774
Equity attributable to owners of the Company	**5,460,564**	5,369,399
Non-controlling interests	**154,034**	144,688
Total equity	**5,614,598**	5,514,087
Non-current liabilities		
Bank borrowings – amount due after one year	**2,516,491**	1,576,460
Deferred tax liabilities	**87,424**	84,780
	2,603,915	1,661,240
	8,218,513	7,175,327

Notes:

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

Application of new and revised HKFRSs

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods beginning on or after 1 January 2019.
[4] Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 fair value through profit or loss is presented in profit or loss.

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

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the adoption of HKFRS 9 in the future may have an impact on the Group's financial assets and financial liabilities based on the analysis of the Group's financial assets and liabilities as at 31 March 2016. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 "Revenue from Contracts with Customers"

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

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

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

Except as described above, the Directors anticipate that the application of the other new and revised HKFRSs in issue but not yet effective will not have material impact on the Group's 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 resource 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 manufacturing – 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 2016

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

note: During the year ended 31 March 2016, the Group ceased the production and sale of resin operation under the resin manufacturing segment. The relevant assets under this segment were leased to an independent third party for rental income.

Year ended 31 March 2015

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Resin manufacturing *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	4,272,691	917,704	8,528	5,198,923	(61,508)	5,137,415
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	437,469	254,786	(9,495)	682,760	–	682,760
Unallocated corporate income						25,967
Other gains and losses						(25,104)
Unallocated corporate expenses						(14,252)
Finance costs						(124,599)
Profit before taxation						544,772

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 on fair value change of investment properties, net gain/loss on fair value change of derivative financial instruments and restricted bank deposit, gain on disposal of subsidiaries, 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 2016

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

At 31 March 2015

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

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

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

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

Other segment information

At 31 March 2016

	Knitted fabric and dyed yarn *HK$'000*	**Garment products** *HK$'000*	**Resin manufacturing** *HK$'000*	**Consolidated total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets *(note)*	**765,678**	**22,542**	**–**	**788,220**
Depreciation of property, plant and equipment	**245,149**	**19,555**	**–**	**246,704**
(Gain) loss on disposal of property, plant and equipment	**(216)**	**131**	**–**	**(85)**
Release of prepaid lease payments	**4,763**	**81**	**–**	**4,844**
Impairment loss on trade receivables	**2,167**	**–**	**–**	**2,167**
Write-down of inventories	**–**	**18**	**–**	**18**

At 31 March 2015

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Resin manufacturing *HK$'000*	Consolidated total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets *(note)*	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

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

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**588,023**	721,771	**89,408**	87,985
PRC	**2,299,406**	2,139,906	**3,773,950**	3,363,105
United States of America ("US")	**657,870**	689,467	**–**	–
Bangladesh	**452,490**	487,961	**–**	–
Korea	**419,459**	465,618	**–**	–
Taiwan	**232,043**	255,861	**–**	–
Singapore	**85,299**	94,901	**–**	–
Germany	**70,769**	119,595	**–**	–
Others	**105,857**	162,335	**62,758**	55,534
	4,911,216	5,137,415	**3,926,116**	3,506,624

Information about major customers

None of the customers individually contributed over 10% of the Group's total annual revenue for the years ended 31 March 2016 and 2015.

Information about products and services

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

3. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Net loss on fair value change of derivative financial instruments	**(26,212)**	(28,106)
Net foreign exchange losses	**(10,230)**	(12,644)
Impairment loss on trade receivables	**(2,167)**	–
(Loss) gain on fair value change of a restricted bank deposit	**(834)**	2,602
Gain on fair value change of investment properties	**700**	400
Gain on disposal of property, plant and equipment	**85**	2,758
Impairment loss on property, plant and equipment	**–**	(1,021)
Impairment loss on intangible asset	**–**	(1,000)
	(38,658)	(37,011)

4. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Current year		
– Hong Kong Profits Tax	**9,155**	12,465
– PRC Enterprise Income Tax ("EIT")	**21,889**	15,604
– Overseas income tax	**125**	1,059
– PRC capital gain tax	**–**	3,732
	31,169	32,860
Overprovision in respect of prior years	**(2,152)**	(4,511)
	29,017	28,349
Deferred taxation		
Current year	**3,863**	23
	32,880	28,372

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 established 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

	2016	2015
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**21,848**	21,847
Other staff costs	**593,653**	524,778
Total staff costs	**615,501**	546,625
Auditor's remuneration	**3,780**	3,768
Depreciation of property, plant and equipment	**264,704**	257,025
Release of prepaid lease payments	**4,844**	4,891
Write-down of inventories (included in cost of sales)	**18**	910
and after crediting:		
Bank interest income	**50,575**	25,967
Government grants	**4,758**	2,071
Rental income from investment properties, and plant and machinery (net of negligible outgoings)	**25,366**	1,572

6. DISTRIBUTIONS

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2016 interim dividend of HK4.0 cents (2015: HK5.0 cents) per ordinary share	**87,348**	90,166
2015 final dividend of HK3.0 cents and special dividend of HK4.0 cents (2015: 2014 final dividend of HK4.0 cents) per ordinary share	**130,523**	69,947
	217,871	160,113

Subsequent to the end of the reporting period, a final dividend of HK1.0 cent in respect of the year ended 31 March 2016 (2015: final dividend of HK3.0 cents and special dividend of HK4.0 cents) per share, which will be payable in cash with a scrip dividend option, 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 ("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:

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**241,811**	400,459
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	–	(212)
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**241,811**	400,247
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,025,445,105**	1,775,244,528
Effect of dilutive potential ordinary shares:		
Company's share options	**24,945,146**	31,102,111
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,050,390,251**	1,806,346,639

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:

	2016	2015
	HK$'000	*HK$'000*
0–60 days	**1,104,123**	1,021,484
61–90 days	**380,297**	362,784
91–120 days	**160,765**	147,882
Over 120 days	**74,885**	77,976
	1,720,070	1,610,126

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:

	2016	2015
	HK$'000	*HK$'000*
0–60 days	**259,220**	251,461
61–90 days	**89,400**	53,830
Over 90 days	**48,497**	52,957
	397,117	358,248

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"), 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").

On the same date, 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 sales 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 customers.

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

Upon completion of the Acquisition and the 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 were subsidiaries of the Company since their incorporation or being acquired by the Group. The Acquisition had resulted in changes in the Group's shareholding of the Target Group companies, without changes in its controls over them. Accordingly, the Acquisition had been accounted for as an equity transaction and no goodwill had 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 had 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:

	HK$'000
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)
Net assets	47,431
Less: Non-controlling interests	(18,445)
Net assets disposed of	28,986
Gain on disposal	227,674
Total consideration to Sure Strategy and VC Investments, satisfied by cash	256,660

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)
	216,526

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 of HK1.0 cent per share (each a "Share") of HK$0.01 each of the Company in respect of the year ended 31 March 2016 to the Shareholders whose names appear on the register of members of the Company on 2 September 2016 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 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 for the year ended 31 March 2016.

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

The financial year ended 31 March 2016 was challenging for the textile and garment industry as the gloomy economic conditions continued to bring difficulties to the operating environment. The US market showed positive sentiments during the first half of the reporting period but became uncertain in the second half. US customers were concerned about the slowdown of global economy. Cotton price continued to drop, which resulted in a delayed ordering process by many buyers. The unfavourable market conditions together with the continuously surging production costs inevitably affected the Group's globalised business in terms of both revenue and profitability.

During the reporting period, the consolidated revenue of the Group amounted to approximately HK$4,911 million, representing a slight decrease of approximately 4.4% in comparison with the previous fiscal year (2015: HK$5,137 million). Gross profit was approximately HK$873 million, representing a decline of approximately 8.7% from the previous year (2015: HK$957 million). Profit attributable to owners of the Company for the reporting year amounted to approximately HK$242 million, which included net loss on fair value change of derivative financial instruments of approximately HK$26 million, net loss on fair value change of a restricted bank deposit of approximately HK$1 million and a one-off amortisation of bank arrangement fee of approximately HK$19 million. For the previous fiscal year, profit attributable to owners of the Company was approximately HK$400 million, which included gain on disposal of subsidiaries of approximately HK$228 million, net gain on fair value change of a restricted bank deposit of approximately HK$3 million and net loss on fair value change of derivative financial instruments of approximately HK$28 million. Hence, profit from core operation for the year ended 31 March 2016 was approximately HK$277 million after adjusting the above-mentioned non-operating gains and losses, representing a decrease of approximately 11.3% from the previous year (2015: HK$313 million). Basic earnings per share was HK11.9 cents (2015: HK22.6 cents).

Textile Business

For the year ended 31 March 2016, production and sale of knitted fabric and dyed yarn remained as the Group's principal operation, accounting for approximately 83% of the Group's consolidated revenue.

During the reporting period, the Group's order book for knitted fabric remained strong and utilisation of the textile production plants in the PRC sustained at a high level. The increase in production output had offset the approximately 5% decrease in the average selling price attributable to the continuous drop in cotton price. As a result, the revenue of the textile segment slightly decreased by approximately 2.6% to approximately HK$4,100 million (2015: HK$4,211 million).

During the year, the Group has replaced numerous relatively less advanced and less efficient production facilities in the Xinhui production plants including fabric knitting machines, dyeing machines and finishing machines with new and latest models which provide better production efficiency, less wastage and higher energy saving. In addition, anticipating further tightening of the PRC environmental protection measures and to cater for future capacity expansion, the Group has invested significantly to enhance and upscale the existing effluent discharge facilities. To cope with the stringent air pollution regulations, a new flue gas desulphurization system was installed in the coal-fired power plant. The management believes that implementing environmentally sustainable measures can assist the Group in minimising wastage, boosting efficiency and retaining competitiveness in the ongoing market consolidation.

Garment Business

The Group's garment business continued to provide stable contribution in the year. For the year ended 31 March 2016, revenue of the garment business was approximately HK$811 million, with a decrease of approximately 11.6% from approximately HK$918 million in last year. The decrease was mainly attributable to the disposal of garment sourcing business in July 2014 which accounted for approximately HK$89 million of revenue last year. In fact, revenue of the garment business in the current year would be comparable to that of last year if the discontinued operation was excluded. Gross profit increased by approximately 2.0% to approximately HK$175 million with improving gross profit margin from 18.7% to 21.6% due to the Group's effort in focusing on higher margin orders and optimising order allocation amongst different production bases in Cambodia, Indonesia and Jordan, which provided increasing leverage to our business.

Net profit after tax for the year ended 31 March 2016 showed a decrease of 36.5% to approximately HK$17.6 million from HK$27.7 million in last year. Excluding the net loss on fair value change of derivative financial instruments for forward contracts hedging Renminbi ("RMB") against the US dollars of approximately HK$19.8 million in the year ended 31 March 2016, and approximately HK$2.1 million in the year ended 31 March 2015 respectively, the net operating profit after tax exhibited an increase of approximately 25.3% to approximately HK$37.4 million against approximately HK$29.8 million last year with improving net operating profit margin from approximately 3.2% to 4.6%.

The Group will continue to utilise the capability in managing garment production bases in offshore locations with comparative benefits such as lead time, labour costs, duty privilege, etc. in order to maintain long term growth and competitiveness of the Group's garment business.

Major Movements

A HK$2,888 million syndicated loan obtained

On 23 December 2015, the Group obtained a syndicated loan facility of HK$2,888 million for a term of three and a half years from a syndicate of 21 international and regional banks, at an interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 2.17% per annum. The loan was mainly used for refinancing the syndicated loan of HK$1,988 million obtained in 2014 and for general working capital. With the loan in place, the Board is confident in pursuing the Group's business objectives and future expansion plans.

Completion of top-up placings and subscriptions of a total of 372,460,000 shares with net proceeds of approximately HK$337.6 million

On 25 September 2015 and 6 November 2015, the Group completed two top-up share placings and subscriptions of 186,460,000 shares and 100,000,000 shares respectively at the placing price of HK$1.0 per share. On 15 February 2016, the Group completed another top-up share placing and subscription of 86,000,000 shares at the placing price of HK$0.65 per share. The total net proceeds amounted to approximately HK$337.6 million. The three successful transactions reflected the market's confidence in the Group's business fundamentals and directions, and will provide additional funding for the Group's future developments in fabric manufacturing business, specifically the expansion of synthetic fabric production as well as improvement of the Group's environmental protection facilities in its Xinhui production plants.

PROSPECTS

Looking forward to 2016/17, the uncertainties surrounding the global economy are expected to linger on and consumer sentiments would become softened. The Group remains cautiously optimistic on the outlook of the textile and garment industry. In response to the difficulties and challenges ahead, the Group is fine-tuning its sales strategies and focusing on research and development of synthetic fabric. The Group will enhance its production capacity for synthetic fabric in order to capture the growing demand from the global market and its existing customers.

Since the signing of the Trans-Pacific Partnership (the "TPP") in February 2016, there is uncertainty about how the new import duty free arrangement amongst the members under the TPP after the TPP takes formal effect would affect the operation of countries currently enjoying import duty free privileges from the US. The Group has been recently approached by an independent third party for a potential acquisition of the Group's operation in Jordan. The Group is assessing the pros and cons based on, amongst others, the potential impact of the TPP on its existing offshore factories (especially in Jordan), investment opportunities in other offshore locations, especially Vietnam, and the proposed offer price. As at the date of this announcement, no agreement has been reached between the Group and the third party.

Besides, the Group will also closely monitor the impact of the TPP to its upstream manufacturing business. If the TPP terms are favourable, the Group will consider establishing a new textile plant in Vietnam in the near future.

Looking ahead, the Group will continue to strengthen competitiveness of its one-stop vertically integrated business model. Against the backdrop of having a handful of market opportunities ahead, the Group will endeavour to achieve sustainability and stability of its business so as to secure the best interest of its shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2016, the Group had total assets of approximately HK$10,799 million (2015: HK$10,069 million) which were financed by current liabilities of approximately HK$2,581 million (2015: HK$2,894 million), long term liabilities of approximately HK$2,604 million (2015: HK$1,661 million) and shareholders' equity of approximately HK$5,461 million (2015: HK$5,369 million). The current ratio was approximately 2.6 (2015: 2.2) 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 40.2% (2015: 32.1%). 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 RMB 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$788 million on additions to property, plant and equipment.

As at 31 March 2016, the Group had capital commitments of approximately HK$49 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 2016, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK$393 million (2015: HK$406 million) were pledged to banks to secure credit facilities granted.

Employee Information

As at 31 March 2016, the total number of employees of the Group was approximately 1,580 in Cambodia, approximately 2,250 in Jordan, approximately 1,280 in Indonesia, approximately 4,940 in the PRC and approximately 130 in Hong Kong, Macau and other places. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

Events after the Reporting Period

On 17 May 2016, the Group completed a share placing of 500,000,000 shares at the placing price of HK$0.52 per share. The net proceeds amounted to approximately HK$257 million.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the final dividend for the year ended 31 March 2016, the register of members of the Company will be closed from 1 September 2016 to 2 September 2016 (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 2016, 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 31 August 2016.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had complied throughout the year ended 31 March 2016 with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing Securities on the Stock Exchange (the "Listing Rules").

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

The Company has adopted a code of conduct (the "Code of Conduct") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. 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 2016.

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

Hong Kong, 28 June 2016

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*