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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 2020**

**RESULTS**

The directors (the “Directors”) of Victory City International Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2020 (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 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Revenue	2	<b>4,564,269</b>	5,413,027
Cost of sales		<b>(3,813,980)</b>	(4,419,292)
Gross profit		<b>750,289</b>	993,735
Other income		<b>137,946</b>	82,774
Other gains and losses	3	<b>74,026</b>	(49,063)
Impairment loss on trade receivables under expected credit loss model		<b>(4,796)</b>	—
Distribution and selling expenses		<b>(93,533)</b>	(94,777)
General and administrative expenses		<b>(413,137)</b>	(408,358)
Finance costs		<b>(232,277)</b>	(230,787)
Profit before taxation		<b>218,518</b>	293,524
Income tax expense	4	<b>(50,526)</b>	(22,017)
Profit for the year	5	<b>167,992</b>	271,507
Other comprehensive expense: <i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<b>(650,071)</b>	(418,730)
Reclassification of translation reserve upon disposal of a subsidiary		—	(984)
		<b>(650,071)</b>	(419,714)

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Fair value change of financial assets at fair value through other comprehensive income		—	1,858
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		—	4,980
		—	6,838
Other comprehensive expense for the year		<b>(650,071)</b>	(412,876)
Total comprehensive expense for the year		<b>(482,079)</b>	(141,369)
Profit (loss) for the year attributable to:			
Owners of the Company		<b>173,408</b>	284,412
Non-controlling interests		<b>(5,416)</b>	(12,905)
		<b>167,992</b>	271,507
Total comprehensive expense attributable to:			
Owners of the Company		<b>(475,986)</b>	(127,552)
Non-controlling interests		<b>(6,093)</b>	(13,817)
		<b>(482,079)</b>	(141,369)
Earnings per share	7		
Basic		<b>HK22.7 cents</b>	HK55.9 cents
Diluted		<b>HK16.1 cents</b>	HK50.5 cents

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2020**

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>4,825,777</b>	5,092,721
Right-of-use assets		<b>44,909</b>	—
Prepaid lease payments		—	181,183
Investment properties		<b>204,800</b>	188,571
Goodwill		—	—
Intangible asset		—	—
Interest in a joint venture		—	—
Financial assets at fair value through profit or loss — life insurance policies		<b>125,685</b>	123,222
Financial assets at fair value through profit or loss — investment in an unlisted trust fund		—	2,057
Deferred tax assets		<b>10,271</b>	1,888
Deposits paid for acquisition of property, plant and equipment		<b>13,721</b>	7,423
		<b>5,225,163</b>	5,597,065
<b>Current assets</b>			
Inventories		<b>3,260,479</b>	3,139,573
Trade and bills receivables	8	<b>1,765,993</b>	1,843,541
Deposits, prepayments and other receivables		<b>152,839</b>	214,602
Prepaid lease payments		—	4,816
Taxation recoverable		<b>273</b>	311
Financial assets at fair value through profit or loss — structured bank deposits		<b>503,534</b>	—
Restricted bank deposit		—	6,418
Bank balances and cash		<b>1,290,531</b>	2,454,951
		<b>6,973,649</b>	7,664,212
Non-current assets held for sale		<b>212,213</b>	—
		<b>7,185,862</b>	7,664,212

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and bills payables	9	<b>441,514</b>	551,061
Other payables and accruals		<b>189,544</b>	173,707
Contract liabilities		<b>20,701</b>	27,570
Dividend payable		<b>189</b>	189
Taxation payable		<b>143,100</b>	80,365
Derivative financial instruments		<b>1,190</b>	1,511
Lease liabilities		<b>2,135</b>	—
Bank overdrafts		<b>94,250</b>	—
Bank borrowings — amount due within one year		<b>2,478,000</b>	2,692,876
Convertible bonds		<b>505,377</b>	389,611
		<b>3,876,000</b>	3,916,890
<b>Net current assets</b>		<b>3,309,862</b>	3,747,322
<b>Total assets less current liabilities</b>		<b>8,535,025</b>	9,344,387
<b>Capital and reserves</b>			
Share capital		<b>77,691</b>	51,794
Reserves		<b>6,502,415</b>	6,727,501
Equity attributable to owners of the Company		<b>6,580,106</b>	6,779,295
Non-controlling interests		<b>17,909</b>	25,472
<b>Total equity</b>		<b>6,598,015</b>	6,804,767
<b>Non-current liabilities</b>			
Lease liabilities		<b>212</b>	—
Bank borrowings — amount due after one year		<b>1,875,545</b>	2,444,271
Deferred tax liabilities		<b>61,253</b>	95,349
		<b>1,937,010</b>	2,539,620
		<b>8,535,025</b>	9,344,387

*Notes:*

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

**Application of new and amendments to HKFRSs**

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

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle

**New and amendments to HKFRSs in issue but not yet effective**

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

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>6</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</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 HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>5</sup>
Amendments to HKFRS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>5</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>6</sup> Effective for annual periods beginning on or after 1 June 2020.

In addition to the above amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

## 2. REVENUE AND SEGMENT INFORMATION

### (i) Disaggregation of revenue

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Types of goods or service</b>		
Production and sales of knitted fabric and dyed yarn	4,298,658	5,021,963
Production and sales of garment products	265,611	391,064
	<u>4,564,269</u>	<u>5,413,027</u>
<b>Timing of revenue recognition</b>		
At a point in time	<u>4,564,269</u>	<u>5,413,027</u>

### (ii) Performance obligations for contracts with customers

The Group produces and sells knitted fabric, dyed yarn and garment products directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the location specified by the customers and titles are passed to the customers. The normal credit term is 30 to 120 days upon delivery.

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

For production and sales of knitted fabric, dyed yarn and garment products directly delivered to the location specified by the customers, the performance obligation is expected to be completed within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group's operations are organised into two operating segments, information of which is reported to the executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered or services provided.

Details of the Group's two operating and reportable segments are as follows.

- |                                  |   |   |
|----------------------------------|---|---|
| (i) Knitted fabric and dyed yarn | — | Production and sale of knitted fabric and dyed yarn |
| (ii) Garment products            | — | Production and sale of garment products             |

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

**Year ended 31 March 2020**

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<b>REVENUE</b>					
External sales	4,298,658	265,611	4,564,269	—	4,564,269
Inter-segment sales	685	—	685	(685)	—
Segment revenue	<u>4,299,343</u>	<u>265,611</u>	<u>4,564,954</u>	<u>(685)</u>	<u>4,564,269</u>
<b>RESULTS</b>					
Segment results	<u>307,316</u>	<u>(682)</u>	<u>306,634</u>	<u>—</u>	306,634
Unallocated corporate income					111,224
Unallocated other gains and losses					60,917
Unallocated corporate expenses					(23,184)
Impairment loss on trade receivables under expected credit loss model					(4,796)
Finance costs					<u>(232,277)</u>
Profit before taxation					<u>218,518</u>

**Year ended 31 March 2019**

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<b>REVENUE</b>					
External sales	5,021,963	391,064	5,413,027	—	5,413,027
Inter-segment sales	20,048	—	20,048	(20,048)	—
Segment revenue	<u>5,042,011</u>	<u>391,064</u>	<u>5,433,075</u>	<u>(20,048)</u>	<u>5,413,027</u>
<b>RESULTS</b>					
Segment results	<u>542,983</u>	<u>(20,206)</u>	<u>522,777</u>	<u>—</u>	522,777
Unallocated corporate income					68,987
Unallocated other gains and losses					(48,973)
Unallocated corporate expenses					(18,480)
Finance costs					<u>(230,787)</u>
Profit before taxation					<u>293,524</u>



## Segment assets and liabilities

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

### At 31 March 2020

	<b>Knitted fabric and dyed yarn HK\$'000</b>	<b>Garment products HK\$'000</b>	<b>Consolidated total HK\$'000</b>
<b>ASSETS</b>			
Segment assets	9,715,584	248,201	9,963,785
Unallocated assets			<u>2,447,240</u>
Consolidated total assets			<u><u>12,411,025</u></u>
<b>LIABILITIES</b>			
Segment liabilities	1,030,323	129,160	1,159,483
Unallocated liabilities			<u>4,653,527</u>
Consolidated total liabilities			<u><u>5,813,010</u></u>

### At 31 March 2019

	<b>Knitted fabric and dyed yarn HK\$'000</b>	<b>Garment products HK\$'000</b>	<b>Consolidated total HK\$'000</b>
<b>ASSETS</b>			
Segment assets	10,045,291	316,495	10,361,786
Unallocated assets			<u>2,899,491</u>
Consolidated total assets			<u><u>13,261,277</u></u>
<b>LIABILITIES</b>			
Segment liabilities	1,074,014	61,983	1,135,997
Unallocated liabilities			<u>5,320,513</u>
Consolidated total liabilities			<u><u>6,456,510</u></u>

## Other segment information

### Year ended 31 March 2020

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets ( <i>note</i> )	626,133	1,313	627,446
Depreciation of property, plant and equipment	359,754	7,763	367,517
Depreciation of right-of-use assets	5,685	3,362	9,047
Impairment loss on property, plant and equipment	44,729	3,147	47,876
	<u>44,729</u>	<u>3,147</u>	<u>47,876</u>

*note:* Amounts represented additions to property, plant and equipment and right-of-use assets.

### Year ended 31 March 2019

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets ( <i>note</i> )	999,227	6,197	1,005,424
Depreciation of property, plant and equipment	331,850	10,965	342,815
Impairment loss on goodwill	—	6,185	6,185
Release of prepaid lease payments	4,753	96	4,849
	<u>4,753</u>	<u>96</u>	<u>4,849</u>

*note:* Amounts represented additions to property, plant and equipment.

No other amounts are regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets.

## Geographical information

The Group's operations are mainly located in Hong Kong and the People's Republic of China (the "PRC").

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

	Revenue from external customers		Non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	598,539	774,175	124,734	117,132
Macau	6,250	26,269	6	21
The PRC	2,340,769	2,581,765	4,964,467	5,337,947
South Korea	447,952	502,090	—	—
Bangladesh	346,350	420,660	—	—
United States of America (the "US")	332,317	447,954	—	—
Taiwan	313,527	389,058	—	—
Singapore	78,553	71,434	—	—
Vietnam	22,992	60,002	—	—
Indonesia	11,464	41,289	—	—
Canada	—	30,325	—	—
India	2,611	18,148	—	—
Mexico	14,803	11,346	—	—
Thailand	9,896	9,508	—	—
Germany	—	2,879	—	—
United Arab Emirates	20,307	1,130	—	—
Others	17,939	24,995	—	14,798
	<u>4,564,269</u>	<u>5,413,027</u>	<u>5,089,207</u>	<u>5,469,898</u>

## 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 2020 and 2019.

## Information about products and services

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

### 3. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Charge on early termination of a derivative financial instrument	—	(2,480)
Gain (loss) on disposal of a subsidiary	54	(2,777)
Gain on disposal of right-of-use assets ( <i>note i</i> )	60,475	—
Gain on modification of convertible bonds	25,198	—
Impairment loss on goodwill	—	(6,185)
Impairment loss on property, plant and equipment	(47,876)	—
Loss from litigation claims ( <i>note ii</i> )	(1,845)	(46,124)
Net loss on disposal of property, plant and equipment	(180)	(193)
Net loss on fair value change of derivative financial instruments	(264)	(4,356)
Net foreign exchange gain	13,109	6,095
Net gain on fair value change of financial assets at FVTPL	2,193	3,104
Net gain on fair value change of investment properties	23,162	3,805
Others	—	48
	<u>74,026</u>	<u>(49,063)</u>

*notes:*

- (i) On 3 July 2019, Nanjing Synergy Textiles Limited (“Nanjing Synergy”) entered into a resumption and relocation agreement with a limited liability company controlled by the State-owned Assets Supervision and Administration Office of the People’s Government of Jiangning District, Nanjing (the “Nanjing Government”) under which Nanjing Synergy agreed to surrender a piece of land in Jiangning District, Nanjing to the Nanjing Government with a consideration of RMB120,000,000 (equivalent to HK\$138,728,000).

During the year ended 31 March 2020, Nanjing Synergy recognised gain on disposal of right-of-use assets as below:

	2020 <i>HK\$'000</i>
Proceeds received	138,728
Value added tax (inclusive in the proceeds)	(6,775)
Carrying amount of right-of-use assets	<u>(71,478)</u>
	<u>60,475</u>

- (ii) The amount is related to the loss suffered by the Group as a result of certain court cases which were being brought against a wholly owned subsidiary of the Company arising from the use of certain unfulfilled trade bills and sales contracts which bear the company seal of the above subsidiary as collaterals by an independent third party supplier (the “Borrower”) during the year ended 31 March 2017. The Borrower obtained borrowings from banks and other lenders in the PRC (the “Lenders”) but subsequently failed to repay. The Lenders took legal actions against the above subsidiary to enforce their rights in relation to the collaterals. While the subsidiary defended these vigorously, the Directors reviewed, during the preparation of consolidated financial statements for the year ended 31 March 2017, the then circumstances and, taking into consideration the opinion from a legal counsel, recognised a provision for loss of HK\$17,422,000 in the consolidated financial statements for that financial year.

During the year ended 31 March 2019, certain court hearings for the above legal actions taken by certain Lenders were held and the decisions were in favour of the Lenders. The subsidiary had negotiated with some of the Lenders for mutually agreed amounts of settlements. Taking into account of further legal advices, provision with an aggregate amount of HK\$46,124,000 was recognised in profit or loss for the year ended 31 March 2019, in which HK\$40,182,000 was related to the cases for which court decisions were issued in favour of the Lenders during the year, and the remaining HK\$5,942,000 were made for two cases which were still in the process of court hearing based on the opinion from its legal counsel as at 31 March 2019.

During the year ended 31 March 2020, court decisions were issued for the remaining two cases which were in favour of the Lenders, the Group recognised further losses of HK\$2,768,000 which was the interest on the claimed amount granted by the courts. A reduction of HK\$923,000 on settlement was agreed with the Lenders after further negotiation. The Directors consider that the possibility of incurring further losses in relation to the above matter was remote as advised by its legal counsel.

#### 4. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The tax charge (credit) comprises:		
Current tax		
Hong Kong Profits Tax	3,645	6,116
PRC Enterprise Income Tax (“EIT”)	17,940	20,154
Land appreciation tax (“LAT”)	67,757	—
Overprovision in respect of prior year	<u>(113)</u>	<u>(504)</u>
	<b>89,229</b>	25,766
Deferred taxation		
Current year	<u>(38,703)</u>	<u>(3,749)</u>
	<b><u>50,526</u></b>	<b><u>22,017</u></b>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, for both years, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on EIT and its Implementation Regulation, the tax rate of the PRC subsidiaries is 25% (except for the specified entities with their entitlement to a preferential EIT rate as mentioned below).

For the nine month period ended 31 December 2019, 江門市新會區冠華針織廠有限公司 was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise. The reduced EIT rate of 15% was applicable for three years until December 2019, and it was adopted for the three months ended 31 March 2020 as the Directors are of the view that the entity would continued to be qualified as a High and New Technology Enterprise in the year 2020, which however is subject to renewal.

For the year ended 31 March 2020, 江門市冠達化工科技有限公司 was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise. The preferential tax rate is applicable for three years until December 2020, as determined in accordance with relevant income tax rules and regulations in the PRC.

For the disposal of the rights-of-use assets as set out in Note 3 (i), the Directors have considered whether the Group is subject to LAT and are of the view that there are certain arguments for the Group to qualify for exemption of such LAT. After considering the current status of the communication with the relevant tax bureau, the Directors have resolved to make a provision for LAT of HK\$67,757,000 for this disposal.

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

## 5. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	42,105	33,248
Other staff costs		
Wages and salaries	397,537	466,665
Share-based payment	13,638	—
Severance payment	11,862	—
Retirement benefits scheme contributions	44,697	52,991
	<u>467,734</u>	<u>519,656</u>
Total staff costs	<u>509,839</u>	<u>552,904</u>
Auditor's remuneration	4,000	3,530
Depreciation of property, plant and equipment	367,517	342,815
Depreciation of right-of-use assets	9,047	—
Release of prepaid lease payments	—	4,849
	<u>376,564</u>	<u>347,664</u>
Total depreciation and amortisation	376,564	347,664
Capitalised in inventories	<u>(300,912)</u>	<u>(275,647)</u>
	<u>75,652</u>	<u>72,017</u>
and after crediting:		
Bank interest income	83,873	45,672
Government grants	6,600	5,469
Rental income from investment properties and plant and machinery (net of negligible outgoings)	<u>23,017</u>	<u>23,315</u>

The cost of inventories recognised as an expense approximates the cost of sales as disclosed in the consolidated statement of profit or loss and other comprehensive income for both years.

## 6. DISTRIBUTIONS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2018 final dividend of HK1.0 cent per ordinary share	—	50,317

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil).

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company for the year is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	173,408	284,412
Effect of gain on modification of convertible bonds	(25,198)	—
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	43,525	39,807
Earnings for the purpose of diluted earnings per share	191,735	324,219
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	764,850,334	508,959,809
Effect of dilutive potential ordinary shares:		
Convertible bonds	425,648,316	133,333,333
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,190,498,650	642,293,142

The weighted average number of ordinary shares for the purposes of calculating basic earnings per share for the year ended 31 March 2020 has been adjusted, taking into account the share consolidation on 24 June 2019 and the bonus element of the rights issue on 18 April 2019 which were completed during the current year. The corresponding weighted average number of ordinary shares for the year ended 31 March 2019 has been retrospectively adjusted to reflect the said share consolidation and the bonus element of the rights issue.

The computation of diluted earnings per share for 2020 and 2019 did not assume the exercise of all of the Company's share options because the adjusted exercise price of those share options was higher than the average market price for shares in that year.



## 8. TRADE AND BILLS RECEIVABLES

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–60 days	773,217	1,159,317
61–90 days	453,572	390,651
91–120 days	279,299	185,560
Over 120 days	259,905	108,013
	<u>1,765,993</u>	<u>1,843,541</u>

## 9. TRADE AND BILLS PAYABLES

The followings are aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables		
0–60 days	189,516	139,922
61–90 days	60,432	45,319
91–120 days	34,573	39,066
Over 120 days	43,378	37,672
	<u>327,899</u>	<u>261,979</u>
Bills payables		
0–60 days	47,973	100,706
61–90 days	13,794	78,707
91–120 days	19,753	109,420
Over 120 days	32,095	249
	<u>113,615</u>	<u>289,082</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.

## **DIVIDENDS**

The Directors have resolved not to declare any final dividend for the year ended 31 March 2020 (2019: Nil).

## **BUSINESS REVIEW**

For the financial year of 2019/20, amid the unfavourable operating conditions of a complex and ever-changing market situation and a continuously deteriorating business environment, the financial performance of the Group was inevitably affected.

For the year ended 31 March 2020, the Group's audited consolidated revenue was approximately HK\$4,564 million, representing a decrease of approximately 15.7% as compared to the previous corresponding period (2019: HK\$5,413 million). Gross profit decreased by approximately 24.5% to approximately HK\$750 million (2019: 994 million). Profit attributable to owners of the Company amounted to approximately HK\$173 million, which included gain on disposal of right-of-use assets of approximately HK\$57 million (2019: Nil), gain on modification of convertible bonds of approximately HK\$25 million (2019: Nil), gain on fair value change of investment properties of approximately HK\$17 million (2019: HK\$3 million), net gain on fair value change of financial assets of approximately HK\$2 million (2019: HK\$3 million), share-based payment of approximately HK\$15 million (2019: Nil), impairment loss on property, plant and equipment of approximately HK\$48 million (2019: Nil), additional accrued convertible bond interest of approximately HK\$22 million (2019: HK\$20 million) and provision of land appreciation tax of approximately HK\$68 million (2019: Nil). Hence, profit for core operations for the year ended 31 March 2020 was approximately HK\$225 million after adjusting the above-mentioned non-operating gains and losses, representing a year-on-year decrease of approximately 22.1% (2019: HK\$289 million). Basic earnings per share was HK22.7 cents (2019: HK55.9 cents).

### **Textile Business**

For the year ended 31 March 2020, production and sale of knitted fabric and dyed yarn remained as the Group's principal operation, accounting for approximately 94.2% of the Group's consolidated revenue. Revenue for the textile segment was approximately HK\$4,299 million, representing a decline of approximately 14.4% from the previous corresponding period (2019: HK\$5,022 million).

During the first half of the financial year, the downward trend of cotton price together with the slowdown in order book resulted from the trade war between the US and the PRC hit the revenue of the Group. The outbreak of COVID-19 since early 2020 has got great impact to global economic activities. The unexpected production disruption of the core fabric manufacturing base in Xinhui including the extension of the Lunar New Year holiday brought by the relevant government authorities led to the decrease in production output. In addition, the Group has experienced gradual cancellation of orders as well as

delay in shipment of goods due to suspension of business operation of corporations and closure of shops across the world. Under such adverse business environment and market situation, the business performance for the first half of 2020 will inevitably be affected.

Nanjing Synergy has ceased its yarn spinning production since early 2020 to cooperate with the land resumption policy of the People's Government of Jiangning District, Nanjing. All employees have been duly compensated and demobilized according to local rules and regulations. The machineries in the production plant were being sold or transferred smoothly and the process is expected to complete in the second half of 2020. As the production of the yarn spinning mill only catered for less than 10% of the monthly consumption of the Group, the stoppage of production in Nanjing Synergy does not have significant effect on the yarn procurement of the Group.

### **Garment Business**

For the financial year ended 31 March 2020, revenue of the garment business was approximately HK\$266 million, with a decrease of approximately 32.0% from approximately HK\$391 million last year. The decrease was mainly attributable to the further consolidation of clientele to focus on customers providing steady order flows and profit margin.

There was a net loss of approximately HK\$16 million for the year ended 31 March 2020, compared to a net loss of HK\$27 million last year. The decrease in net loss was mainly attributable to a non-recurring gain of approximately HK\$9 million on fair value adjustment on investment properties and there was an amount of approximately HK\$6 million of goodwill written-off for the production base in the PRC last year that did not occur in this reporting period.

### **Major Movement**

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

On 18 April 2019, the Company issued and allotted 2,589,706,603 ordinary shares of HK\$0.01 each of the Company at a subscription price of HK\$0.098 each, by way of rights issue (the "Rights Issue") in the proportion of one rights share for every two shares held on 15 March 2019. The net proceeds of (i) approximately HK\$100 million was intended to be used for construction of new electron beam wastewater treatment facilities; (ii) approximately HK\$70 million for construction of a new boiler; and (iii) approximately HK\$79.3 million as general working capital. The net proceeds have been used as intended.

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

### *Completion of the Share Consolidation*

On 2 May 2019, the Board proposed to (i) implement the share consolidation (the “Share Consolidation”) on the basis that every ten (10) issued and unissued shares of HK\$0.01 each of the Company be consolidated into one (1) consolidated share of HK\$0.10 each (the “Consolidated Shares”); and (ii) change the board lot size (the “Change in Board Lot Size”) for trading on the Stock Exchange from 2,000 Shares to 4,000 Consolidated Shares. As all conditions precedent of the Share Consolidation have been fulfilled as at 21 June 2019, the Share Consolidation and the Change in Board Lot Size have taken effect on 24 June 2019. For further details, please refer to the circular of the Company dated 5 June 2019 and the announcement of the Company dated 21 June 2019.

### *Redemption of convertible bonds by way of issue of new convertible bonds in the aggregate principal amount of HK\$400,000,000*

On 28 June 2019, the Company issued convertible bonds to its two major shareholders of the Company (the “Shareholders”), Pearl Garden Pacific Limited and Madian Star Limited, in an aggregate principal amount of HK\$400,000,000 (the “June Convertible Bonds”) with the rights to convert into 3,773,584,906 shares at the initial conversion price of HK\$0.106 per convertible share, which has been adjusted to be converted into 377,358,490 ordinary shares of HK\$0.1 each of the Company (the “Shares”) at the adjusted conversion price of HK\$1.06 per convertible share upon share consolidation. The proceeds from the issue of the June Convertible Bonds were used to redeem the convertible bonds issued to Pearl Garden Pacific Limited and Madian Star Limited in an aggregate principal amount of HK\$400,000,000 on 22 September 2017. Please refer to the announcement of the Company dated 26 April 2019 and the circular of the Company dated 5 June 2019 for further information.

The issue of the June Convertible Bonds signified strong support from the Company’s major Shareholders to the Group and their confidence in the prospects and development of the Group.

### *Completion of issue of convertible bonds in the principal amount of HK\$64,000,000 with net proceeds of approximately HK\$63.7 million*

On 13 August 2019, the Company issued convertible bonds to Mr. Wang Chia Po, an independent third party, in a principal amount of HK\$64,000,000 (the “August Convertible Bonds”) with the rights to convert into 100,000,000 Shares at the initial conversion price of HK\$0.64 per convertible share. The net proceeds of approximately HK\$63.7 million from the issue of the August Convertible Bonds were reserved for the construction of manufacturing base for fabric production in Bangladesh. Please refer to the announcement of the Company dated 1 August 2019 for further information.

*Completion of issue of convertible bonds in the principal amount of HK\$65,000,000 with net proceeds of approximately HK\$64.7 million*

On 23 October 2019, the Company issued convertible bonds to Mr. Wong Shu Fat, an independent third party, in a principal amount of HK\$65,000,000 (the “October Convertible Bonds”) with the rights to convert into 100,000,000 Shares at the initial conversion price of HK\$0.65 per convertible share. The net proceeds of approximately HK\$64.7 million from the issue of the October Convertible Bonds were reserved for the construction of manufacturing base for fabric production in Bangladesh. Please refer to the announcement of the Company dated 14 October 2019 for further information.

## **PROSPECTS**

The business environment for the year 2020/21 is full of challenges and uncertainty mainly due to the impact brought by COVID-19. The time taken for full recovery of the global economy is unknown. As said, business performance of the Group for the first half of 2020/21 will undoubtedly be affected. The management expects the rebound of fabric demands would take place when the worldwide economic activities are back to normal. The Directors will continue to closely monitor the situation and take effective measures to overcome the challenges.

Facing such difficult business environment, the Directors decided to defer the expansion plan of constructing a new fabric manufacturing plant in Bangladesh. The expansion plan is anticipated to resume at the appropriate time.

Given the recurring operating loss of the garment segment, the Group has made adjustments to its operating strategy. In the past two financial years, the Group disposed of two production bases in Indonesia and Cambodia respectively in order to reduce loss. In light of the ongoing COVID-19 that has significant impact on the garment businesses in the US, the Group will continue to critically review the garment customer portfolio and may make downward adjustments in the garment segment to mitigate the loss that negatively impacts the Group’s profitability as a whole.

Under the current difficult business environment, the Directors made concrete adjustments to the Group’s operation strategy, optionally capitalised the production capacity and devoted more resources to developing and refining products. The Group is well-positioned to face all challenges ahead and to bring the most satisfactory return to the shareholders.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 31 March 2020, the Group had total assets of approximately HK\$12,411 million (2019: HK\$13,261 million) which were financed by current liabilities of approximately HK\$3,876 million (2019: HK\$3,917 million), long term liabilities of approximately HK\$1,937 million (2019: HK\$2,540 million) and shareholders' equity of approximately HK\$6,580 million (2019: HK\$6,779 million). The current ratio was approximately 1.9 (2019: 2.0) 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 40.3% (2019: 39.5%). All of the Group's borrowings were at floating rate basis.

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

### **Foreign Exchange and Interest Rate Risks**

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

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

### **Capital Expenditure**

During the year, the Group invested approximately HK\$625 million on additions to property, plant and equipment.

As at 31 March 2020, the Group had capital commitments of approximately HK\$36 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 2020, certain property, plant and equipment, investment properties and life insurance policies of the Group with net book value of approximately HK\$218 million (2019: HK\$446 million) were pledged to banks to secure credit facilities granted.

## **Employee Information**

As at 31 March 2020, the total number of employees of the Group was approximately 3,610 in the PRC and approximately 95 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.

## **EVENT AFTER THE REPORTING PERIOD**

On 11 May 2020, the Board proposed to issue and allot 1,553,823,962 ordinary Shares at a subscription price of HK\$0.140 each, by way of rights issue on the basis of two rights shares for every one Share held on the record date (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the record date), which is subject to approval by the independent shareholders of the Company. The net proceeds of approximately HK\$212.2 million is intended to be used (i) for the repayment of the Group's bank loans; and (ii) as general working capital of the Group. Please refer to the announcement of the Company dated 11 May 2020 and the circular of the Company dated 18 June 2020 for further information.

Save for above, there were no other significant events affecting the Group after the year ended 31 March 2020.

## **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 2020 with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing Securities on the Stock Exchange (the "Listing Rules").

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

The Company has adopted a code of conduct (the “Code of Conduct”) regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Upon receiving specific enquiries from the Company, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the year ended 31 March 2020.

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

Hong Kong, 30 June 2020

*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*