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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 2018

RESULTS

The board (the “Board”) of directors (the “Directors”) of Victory City International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2018 (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 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	2	4,960,298	4,939,904
Cost of sales		(4,091,893)	(4,098,471)
Gross profit		868,405	841,433
Other income		85,379	88,749
Other gains and losses	3	92,479	(127,458)
Distribution and selling expenses		(102,048)	(106,326)
General and administrative expenses		(403,099)	(414,251)
Finance costs		(192,537)	(143,019)
Equity-settled share-based payments		—	(21,246)
Gain on disposal of subsidiaries	10	—	19,850
Profit before taxation		348,579	137,732
Income tax expense	4	(29,386)	(24,156)
Profit for the year	5	319,193	113,576

	<i>Note</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Other comprehensive income (expense):			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		698,407	(505,809)
Fair value change of an available-for-sale investment		321	320
Reclassification of translation reserve upon disposal of subsidiaries		—	9
		<u>698,728</u>	<u>(505,480)</u>
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		<u>14,919</u>	4,789
Other comprehensive income (expense) for the year		<u>713,647</u>	<u>(500,691)</u>
Total comprehensive income (expense) for the year		<u>1,032,840</u>	<u>(387,115)</u>
Profit (loss) for the year attributable to:			
Owners of the Company		330,131	135,526
Non-controlling interests		<u>(10,938)</u>	<u>(21,950)</u>
		<u>319,193</u>	<u>113,576</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		1,039,925	(365,311)
Non-controlling interests		<u>(7,085)</u>	<u>(21,804)</u>
		<u>1,032,840</u>	<u>(387,115)</u>
Earnings per share	7		
Basic		<u>HK7.6 cents</u>	<u>HK4.5 cents</u>
Diluted		<u>HK6.9 cents</u>	<u>HK4.5 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		4,648,783	3,693,182
Prepaid lease payments		189,101	188,018
Investment properties		183,350	154,656
Goodwill		6,185	6,185
Intangible asset		—	—
Interest in a joint venture		—	—
Restricted bank deposit		—	60,136
Available-for-sale investment		19,835	—
Deferred tax assets		4,152	4,197
Deposit paid for acquisition of property, plant and equipment		13,158	10,251
Other non-current assets		114,775	26,040
		<u>5,179,339</u>	<u>4,142,665</u>
Current assets			
Inventories		3,161,289	2,991,234
Trade and bills receivables	8	1,934,616	1,855,728
Deposits, prepayments and other receivables		192,047	179,448
Prepaid lease payments		4,894	4,744
Derivative financial instrument		2,155	529
Available-for-sale investments		—	17,924
Taxation recoverable		9,416	7,804
Restricted bank deposit		60,645	—
Bank balances and cash		2,800,895	2,725,090
		<u>8,165,957</u>	<u>7,782,501</u>

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current liabilities			
Trade and bills payables	9	483,676	636,193
Other payables and accruals		158,000	163,757
Dividend payable		191	191
Taxation payable		78,303	74,187
Derivative financial instruments		1,599	155,124
Bank borrowings — amount due within one year		2,304,847	2,759,445
Convertible bonds		369,804	—
		<u>3,396,420</u>	<u>3,788,897</u>
Net current assets		<u>4,769,537</u>	<u>3,993,604</u>
Total assets less current liabilities		<u>9,948,876</u>	<u>8,136,269</u>
Capital and reserves			
Share capital		50,317	41,937
Reserves		6,884,330	5,658,172
		<u>6,934,647</u>	<u>5,700,109</u>
Equity attributable to owners of the Company		6,934,647	5,700,109
Non-controlling interests		39,289	57,154
		<u>6,973,936</u>	<u>5,757,263</u>
Total equity		<u>6,973,936</u>	<u>5,757,263</u>
Non-current liabilities			
Bank borrowings — amount due after one year		2,872,458	2,292,621
Deferred tax liabilities		102,482	86,385
		<u>2,974,940</u>	<u>2,379,006</u>
		<u>9,948,876</u>	<u>8,136,269</u>

Notes:

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

Amendments to HKFRSs that are mandatorily effective for the current year

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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, 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.

Amendments to HKAS 7 “Disclosure Initiative”

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New or 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 ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

2. SEGMENT INFORMATION

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 and provision of related subcontracting services
- (ii) Garment products — Production and sale of garment products and provision of quality inspection services

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

Year ended 31 March 2018

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
REVENUE					
External sales	4,523,716	436,582	4,960,298	—	4,960,298
Inter-segment sales	<u>25,538</u>	<u>—</u>	<u>25,538</u>	<u>(25,538)</u>	<u>—</u>
Segment revenue	<u><u>4,549,254</u></u>	<u><u>436,582</u></u>	<u><u>4,985,836</u></u>	<u><u>(25,538)</u></u>	<u><u>4,960,298</u></u>
RESULTS					
Segment results	<u><u>409,098</u></u>	<u><u>(11,541)</u></u>	<u><u>397,557</u></u>	<u><u>—</u></u>	397,557
Unallocated corporate income					68,552
Other gains and losses					92,728
Unallocated corporate expenses					(17,721)
Finance costs					<u>(192,537)</u>
Profit before taxation					<u><u>348,579</u></u>

Year ended 31 March 2017

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
REVENUE					
External sales	4,252,452	687,452	4,939,904	—	4,939,904
Inter-segment sales	<u>40,575</u>	<u>—</u>	<u>40,575</u>	<u>(40,575)</u>	<u>—</u>
Segment revenue	<u><u>4,293,027</u></u>	<u><u>687,452</u></u>	<u><u>4,980,479</u></u>	<u><u>(40,575)</u></u>	<u><u>4,939,904</u></u>
RESULTS					
Segment operating results	387,819	(14,169)	373,650	—	373,650
Gain on disposal of subsidiaries	<u>—</u>	<u>19,850</u>	<u>19,850</u>	<u>—</u>	<u>19,850</u>
Segment results	<u><u>387,819</u></u>	<u><u>5,681</u></u>	<u><u>393,500</u></u>	<u><u>—</u></u>	<u><u>393,500</u></u>
Unallocated corporate income					61,720
Other gains and losses					(127,414)
Unallocated corporate expenses					(47,055)
Finance costs					<u>(143,019)</u>
Profit before taxation					<u><u>137,732</u></u>

Segment profit represents the profit earned by each segment without allocation of interest income, rental income, net gain/loss on disposal of property, plant and equipment, gain on fair value change of investment properties, net gain/loss on fair value change of derivative financial instruments, loss on fair value change of 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 2018

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
ASSETS			
Segment assets	9,753,928	344,411	10,098,339
Unallocated assets			<u>3,246,957</u>
Consolidated total assets			<u><u>13,345,296</u></u>
LIABILITIES			
Segment liabilities	948,032	67,757	1,015,789
Unallocated liabilities			<u>5,355,571</u>
Consolidated total liabilities			<u><u>6,371,360</u></u>

At 31 March 2017

	Knitted fabric and dyed yarn <i>HK\$'000</i>	Garment products <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
ASSETS			
Segment assets	8,414,978	469,207	8,884,185
Unallocated assets			<u>3,040,981</u>
Consolidated total assets			<u><u>11,925,166</u></u>
LIABILITIES			
Segment liabilities	662,314	137,827	800,141
Unallocated liabilities			<u>5,367,762</u>
Consolidated total liabilities			<u><u>6,167,903</u></u>

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, derivative financial instrument, available-for-sale investments, taxation recoverable, investment properties, 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

Year ended 31 March 2018

	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:			
Addition to non-current assets (<i>Note</i>)	890,251	5,192	895,443
Depreciation of property, plant and equipment	299,787	15,453	315,240
Net loss (gain) on disposal of property, plant and equipment	113	(84)	29
Impairment loss on trade receivables	—	134	134
Release of prepaid lease payments	4,751	96	4,847
	<u> </u>	<u> </u>	<u> </u>

Year ended 31 March 2017

	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:			
Addition to non-current assets (<i>Note</i>)	672,414	5,192	677,606
Depreciation of property, plant and equipment	280,138	15,453	295,591
Net (gain) loss on disposal of property, plant and equipment	(159)	952	793
Release of prepaid lease payments	4,681	96	4,777
	<u> </u>	<u> </u>	<u> </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 restricted bank deposit, available-for-sale investment, deferred tax assets and other assets) by geographic location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	654,407	548,997	109,264	97,021
PRC	2,581,412	2,602,645	4,909,225	3,928,921
Bangladesh	468,175	445,044	—	—
United States of America ("US")	367,461	444,163	—	—
Taiwan	361,861	265,232	—	—
Korea	332,261	371,722	—	—
Singapore	65,661	86,904	—	—
Canada	30,223	25,108	—	—
Germany	23,359	31,010	—	—
Japan	379	53,149	—	—
Others	75,099	65,930	22,088	26,350
	<u>4,960,298</u>	<u>4,939,904</u>	<u>5,040,577</u>	<u>4,052,292</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 2018 and 2017.

Information about products and services

The Group's revenue represents sale of knitted fabric, dyed yarn 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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net gain (loss) on fair value change of derivative financial instruments	89,302	(127,224)
Gain on fair value change of investment properties	3,080	790
Net foreign exchange losses	(249)	(43)
Impairment loss on trade receivables	(134)	—
Net loss on disposal of property, plant and equipment	(29)	(793)
Others	509	(188)
	<u>92,479</u>	<u>(127,458)</u>

4. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The tax charge comprises:		
Current tax:		
Current year		
— Hong Kong Profits Tax	2,000	—
— PRC Enterprise Income Tax (“EIT”)	19,965	21,844
Underprovision in respect of prior years	—	57
	<u>21,965</u>	<u>21,901</u>
Deferred taxation		
Current year	<u>7,421</u>	<u>2,255</u>
	<u>29,386</u>	<u>24,156</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, except for one (2017: Nil) PRC subsidiary is qualified as High New Technology Enterprise and enjoys a preferential tax rate of 15% for current year. The preferential tax rate is applicable for three years until 2019 and subject to renewal, as determined in accordance with relevant income tax rules and regulation in the PRC.

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

5. PROFIT FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	27,644	25,022
Other staff costs	<u>520,487</u>	<u>493,106</u>
Total staff costs	<u>548,131</u>	<u>518,128</u>
Auditor's remuneration	3,635	3,636
Amortisation of prepaid insurance premium	17	—
Depreciation of property, plant and equipment	315,240	295,591
Release of prepaid lease payments	4,847	4,777
and after crediting:		
Bank interest income	47,348	34,829
Government grants	4,914	616
Interest income on life insurance policies	2,999	—
Rental income from investment properties, and plant and machinery (net of negligible outgoings)	<u>21,713</u>	<u>26,703</u>

Included in the other staff costs is an aggregate amount of HK\$48,947,000 (2017: HK\$38,013,000) in respect of contributions to retirement benefits schemes made by the Group and HK\$Nil (2017: HK\$20,066,000) in respect of equity-settled share-based payments.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2016 final dividend of HK1.0 cent per ordinary share	<u>—</u>	<u>27,722</u>

Subsequent to the end of the reporting period, a final dividend of HK1.0 cent per share in respect of the year ended 31 March 2018, which will be payable in cash with a scrip dividend option, has been proposed the Directors, and is subject to approval by the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting ("AGM"). No final dividend was declared for the year ended 31 March 2017.

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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	330,131	135,526
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	<u>19,817</u>	<u>—</u>
Earnings for the purposes of diluted earnings per share	<u><u>349,948</u></u>	<u><u>135,526</u></u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,361,344,205	3,042,668,232
Effect of dilutive potential ordinary shares:		
Convertible bonds	<u>697,716,895</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>5,059,061,100</u></u>	<u><u>3,042,668,232</u></u>

The computation of diluted earnings per share for both years does not assume the exercise of the Company's outstanding share options as the relevant adjusted exercise prices of those options were higher than the average market price for both 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 doubtful debts), presented based on the invoice date, which approximated the respective revenue recognition date at the end of the reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0–60 days	1,189,442	1,209,205
61–90 days	427,848	371,831
91–120 days	188,477	189,653
Over 120 days	<u>128,849</u>	<u>85,039</u>
	<u><u>1,934,616</u></u>	<u><u>1,855,728</u></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:

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–60 days	240,383	322,054
61–90 days	138,179	106,280
91–120 days	93,760	139,861
Over 120 days	11,354	67,998
	<u>483,676</u>	<u>636,193</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. DISPOSAL OF SUBSIDIARIES

On 13 July 2016, Victory City Investments Limited (“VC Investments”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the “Purchaser”), pursuant to which the Purchaser conditionally agreed to purchase and VC Investments conditionally agreed to sell its entire 51% equity interest in RS International Holdings Limited and its subsidiaries (collectively referred to as the “RS Group”) at a cash consideration of HK\$98,000,000. The RS Group was principally engaged in the manufacturing of garment products in Jordan. The disposal was completed on 1 August 2016 and the RS Group ceased to be subsidiaries of the Group. Disposal-related costs amounting to HK\$162,000 were excluded from the consideration received and recognised as an expense in the consolidated statement of profit or loss.

Further details of the consideration and assets and liabilities disposed of in respect of the RS Group at the date of the disposal were as follows:

	<i>HK\$'000</i>
Consideration:	
Cash received	98,000
	<u>98,000</u>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	27,910
Goodwill	429
Inventories	78,095
Trade receivables	68,347
Deposits, prepayments and other receivables	14,402
Bank balances and cash	23,457
Trade payables	(818)
Other payables and accruals	(58,605)
	<u>(58,605)</u>
Net assets disposed of	153,217
	<u>153,217</u>
Gain on disposal:	
Consideration	98,000
Net assets disposed of	(153,217)
Non-controlling interests	75,076
Cumulative exchange difference in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	(9)
	<u>(9)</u>
	<u>19,850</u>
Net cash inflow arising on disposal:	
Cash consideration received	98,000
Less: Bank balances and cash disposed of	(23,457)
	<u>(23,457)</u>
	<u>74,543</u>

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 2018 to the Shareholders whose names appear on the register of members of the Company on 7 September 2018 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 2018.

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 2018 continued to be challenging for the textile and garment industry. During the year, the global business environment was unstable and volatile. Costs of raw materials, dyestuffs, chemicals, energy and labour rose substantially, which adversely affected the whole textile and garment supply chain. On the other hand, the Group’s major export market, the US, continued to show consistent improvement in consumer confidence. The Group was able to leverage on the competitive advantages of its vertically-integrated production facilities and capture the reviving orders in a timely manner. As a result, 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\$4,960 million, remained at similar level as compared to the previous fiscal year (2017: HK\$4,940 million). Gross profit was approximately HK\$868 million, representing an increase of approximately 3.2% from the previous year (2017: HK\$841 million). Profit attributable to owners of the Company for the reporting year amounted to approximately HK\$330 million, which included net gain on fair value change of derivative financial instruments of approximately HK\$89 million, gain on fair value change of investment properties of approximately HK\$3 million and a one-off amortisation of bank arrangement fee of approximately HK\$23 million. For the previous fiscal year, profit attributable to owners of the Company was approximately HK\$136 million, which included net loss on fair value change of derivative financial

instruments of approximately HK\$127 million, share option expenses of approximately HK\$21 million and gain on disposal of subsidiaries of approximately HK\$20 million. Hence, profit from core operation for the year ended 31 March 2018 was approximately HK\$267 million after adjusting the above-mentioned non-operating gains and losses, representing a growth of approximately 5.5% from the previous year (2017: HK\$253 million). Basic earnings per share was HK7.6 cents (2017: HK4.5 cents).

Textile Business

For the year ended 31 March 2018, production and sale of knitted fabric and dyed yarn remained as the Group's principal operation, accounting for approximately 91% of the Group's consolidated revenue. Revenue for the textile segment was approximately HK\$4,524 million, representing an increase of approximately 6.4% from the previous year (2017: HK\$4,253 million).

Thriving on its sound track record and solid foundation, the Group achieved satisfactory growth of order demand from both overseas and domestic markets. The management optionally capitalised the Group's production capacity and devoted more effect in developing and refining products. In addition, the Group also implemented stringent cost control measures and streamlined the production process to enhance productivity and efficiency whilst reducing wastages. The optimisation of production had proved successful. The Group's flagship production base in Xinhui, the PRC was running at full utilisation all along the reporting period. Both revenue and profitability of this business segment showed a positive increasement for the reporting period.

Garment Business

For the year ended 31 March 2018, revenue of the garment business was approximately HK\$437 million, with a decrease of approximately 36.4% from approximately HK\$687 million last year. The decrease was mainly attributable to the disposal of the Group's Jordan garment factory in August 2016. If the turnover from the Jordan factory was excluded from last year, turnover for this fiscal year would record a decrease of approximately HK\$66 million or 13.1% from last year. Gross profit decreased to approximately HK\$50 million for the year ended 31 March 2018, from approximately HK\$108 million last year, with gross profit margin lowered to approximately 11.5% from 15.7% last year. The decrease was mainly a result of the disposal upon which the Group ceased to account for orders of the Jordan factory with higher margin.

Major Movement

Convertible Bonds

On 22 September 2017, the Company issued convertible bonds to its two major Shareholders, Pearl Garden Pacific Limited and Madian Star Limited, with an aggregate principal sum of HK\$400,000,000 (the "Convertible Bonds") with the rights to

convert into 1,333,333,334 Shares at the initial conversion price of HK\$0.30 per convertible share. Please refer to the circulars of the Company dated 13 June 2017 and 24 July 2017 for further information.

The issue of the 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. The net proceeds were used for the expansion of the production facilities and as general working capital of the Group as intended.

A HK\$2,900 million syndicated loan obtained

On 12 December 2017, the Group has entered into a syndicated loan facility agreement of up to a principal amount of HK\$2,600 million (with an accordion feature of up to HK\$500 million) for a term of four years with a syndicate of 17 international and regional banks, at an interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 1.68% per annum, of which HK\$2,900 million was drawn. The loan was mainly used for refinancing the syndicated loan of HK\$2,888 million obtained in 2015 and as 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 placing of a total of 838,000,000 Shares with net proceeds of approximately HK\$157 million

On 18 January 2018, the Group completed a placing (the "Placing") of 838,000,000 Shares at a placing price of HK\$0.190 per Share. The total net proceeds amounted to approximately HK\$157 million. The successful transaction reflected the market's confidence in the Group's business fundamentals and goals. The net proceeds from the Placing were intended to be used for the formation of a joint venture, where it was expected that a production plant with wastewater treatment facilities would be constructed in Cambodia and machineries would be acquired for dyed fabric and garment manufacturing. Please refer to the announcements of the Company dated 28 December 2017 and 12 January 2018 for further information.

PROSPECTS

In the years to come, the Group will dedicate its efforts to maintain its leading role in the textile and garment industry. Measures and endeavour will be made to fine-tune the Group's business portfolio and to explore larger market share with a view to improving its competitive edges and profitability.

The Group's newly established synthetic fabric manufacturing plants were put in use in May 2018. The new production facilities will enable the Group to capture the growing market demands and explore new customers with value-added services. Apart from this, the Group will continue to expand its production capabilities by implementing new automated and intelligent machines and equipment. It is anticipated that production efficiency will be enhanced and manufacturing overheads will be reduced.

In addition, anticipating the further tightening of the PRC environmental protection measures and to cater for ongoing capacity expansion, the Group will further invest in upscaling the existing effluent discharge facilities by the installation of a new wastewater treatment plant in the second half of the financial year of 2018/19.

For the garment segment, the Group will continue to leverage on its capability in managing both in-house garment production bases in offshore locations and garment sub-contractors with comparative benefits such as lead time, labour costs, duty privilege, etc., in order to maintain long term growth and competitiveness of the garment business. As the benefits of the Group's more streamlined and focused business structure in the garment segment started to crystallise, the Directors are confident that the operating loss would narrow significantly and the segment would resume profitability soon.

While the year ahead will remain highly competitive, the Group will continue to redefine and enhance its business model to create the best platform for future growth of its core businesses as well as to capitalise on any value-enhancing investment opportunities. With the committed focus of its management team, the Group is well-positioned to face all challenges ahead and to bring the most satisfactory returns to the Shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2018, the Group had total assets of approximately HK\$13,345 million (2017: HK\$11,925 million) which were financed by current liabilities of approximately HK\$3,396 million (2017: HK\$3,789 million), long term liabilities of approximately HK\$2,975 million (2017: HK\$2,379 million) and shareholders' equity of approximately HK\$6,935 million (2017: HK\$5,700 million). The current ratio was approximately 2.4 (2017: 2.1) and the gearing ratio, being defined as net debt (representing total bank borrowings net of cash and cash equivalents) to shareholders' funds, was approximately 33.4% (2017: 39.8%). 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 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\$895 million on additions to property, plant and equipment.

As at 31 March 2018, the Group had capital commitments of approximately HK\$108 million in respect of acquisition of new machinery and construction of new factory plants, which were financed by long-term bank borrowings.

Charges on Assets

As at 31 March 2018, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK\$423 million (2017: HK\$341 million) were pledged to banks to secure credit facilities granted.

Employee Information

As at 31 March 2018, the total number of employees of the Group was approximately 1,020 in Cambodia, approximately 1,080 in Indonesia, approximately 4,500 in the PRC and approximately 125 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.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the final dividend for the year ended 31 March 2018, the register of members of the Company will be closed from 5 September 2018 to 7 September 2018 (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 2018, 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 2018.

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 2018 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 confirmed that they had complied with the required standard set out in the Code of Conduct during the year ended 31 March 2018.

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

Hong Kong, 28 June 2018

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*