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 2009

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 2009 (which have been reviewed by the audit committee of the Company) with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	2	**4,088,724**	4,104,773
Cost of sales		**(3,427,189)**	(3,346,188)
Gross profit		**661,535**	758,585
Other income		**29,663**	31,280
Other gains and losses	3	**(33,081)**	34,562
Selling and distribution costs		**(87,563)**	(96,656)
Administrative expenses		**(251,943)**	(274,416)
Share of loss of a jointly controlled entity		**–**	(338)
Finance costs	4	**(60,579)**	(65,144)
Profit before taxation		**258,032**	387,873
Income tax expense	5	**(17,120)**	(18,519)
Profit for the year	6	**240,912**	369,354
Attributable to:			
Equity holders of the Company		**216,865**	341,788
Minority shareholders		**24,047**	27,566
		240,912	369,354
Distributions	7	**–**	99,375
Earnings per share	8		(restated)
Basic		**29.7 cents**	48.2 cents
Diluted		**N/A**	48.0 cents

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**2,444,630**	2,283,968
Prepaid lease payments		**49,147**	21,283
Investment properties		**–**	2,470
Goodwill		**6,185**	6,185
Interest in a jointly controlled entity		**–**	–
Deposit paid for acquisition of property, plant and equipment		**4,306**	8,735
		2,504,268	2,322,641
Current assets			
Inventories		**1,357,908**	1,495,200
Trade receivables	*9*	**875,514**	906,442
Deposits, prepayments and other receivables		**107,476**	114,773
Prepaid lease payments		**1,237**	479
Structured deposit		**–**	39,399
Derivative financial instruments		**3,172**	33,972
Bank balances and cash		**546,477**	470,139
		2,891,784	3,060,404
Asset classified as held for sale		**–**	225,391
		2,891,784	3,285,795
Current liabilities			
Trade payables	*10*	**376,913**	450,563
Other payables		**112,063**	91,882
Dividend payable		**83**	237
Taxation payable		**60,583**	55,251
Bank borrowings – amount due within one year		**1,082,727**	1,160,339
Structured borrowings – amount due within one year		**18,792**	17,168
Derivative financial instruments		**11,680**	12,190
		1,662,841	1,787,630
Liabilities associated with asset classified as held for sale		–	69,082
		1,662,841	1,856,712
Net current assets		**1,228,943**	1,429,083
		3,733,211	3,751,724

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital		**10,255**	6,758
Reserves		**2,719,628**	2,384,881
Equity attributable to equity holders of the Company		**2,729,883**	2,391,639
Minority interests		**142,331**	117,426
Total equity		**2,872,214**	2,509,065
Non-current liabilities			
Bank borrowings – amount due after one year		**830,631**	1,190,960
Structured borrowings – amount due after one year		**28,188**	51,503
Deferred taxation		**2,178**	196
		860,997	1,242,659
		3,733,211	3,751,724

Notes

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for annual periods beginning on or after 1 July 2008
7 Effective for annual periods beginning on or after 1 October 2008
8 Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

For management purpose, the Group is currently organised into two operating divisions: (i) knitted fabric and dyed yarn; and (ii) garment products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Knitted fabric and dyed yarn	–	Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services
Garment products	–	Production and sale of garment products and provision of quality inspection services

Year ended 31 March 2009

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated *HK$'000*
REVENUE			
External sales	**2,806,225**	**1,282,499**	**4,088,724**
RESULTS			
Segment results	**293,767**	**54,385**	**348,152**
Unallocated corporate income			**17,590**
Unallocated corporate expenses			**(47,131)**
Finance costs			**(60,579)**
Profit before taxation			**258,032**
Income tax expense			**(17,120)**
Profit for the year			**240,912**

Year ended 31 March 2008

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated *HK$'000*
REVENUE			
External sales	2,675,849	1,428,924	4,104,773
RESULTS			
Segment results	361,589	63,795	425,384
Unallocated corporate income			50,773
Unallocated corporate expenses			(22,802)
Share of loss of a jointly controlled entity			(338)
Finance costs			(65,144)
Profit before taxation			387,873
Income tax expense			(18,519)
Profit for the year			369,354

Geographical Segments

The Group's operations are mainly located in Hong Kong, other regions of the People's Republic of China (the "PRC") and the United States of America (the "USA").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**835,992**	655,893
Other regions of the PRC	**1,446,814**	1,447,794
USA	**813,634**	1,057,539
Others	**992,284**	943,547
	4,088,724	4,104,773

3. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	*HK$'000*
(Loss) gain on fair value changes of derivative financial instruments	**(35,446)**	32,951
Gain on fair value changes of structured borrowings	**4,531**	8,329
Gain on structured deposits early terminated during the year	**2,444**	–
Gain on fair value changes of structured deposit	**–**	399
Net foreign exchange losses	**(3,804)**	(4,016)
Impairment losses recognised on receivables	**(806)**	(3,101)
	(33,081)	34,562

4. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings wholly repayable within five years	**71,118**	112,309
– bank borrowings not wholly repayable within five years	**–**	2,825
Total borrowing costs	**71,118**	115,134
Less: amounts capitalised	**(10,539)**	(49,990)
	60,579	65,144

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of approximate 3% (2008: 5%).

5. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax		
– current year	**7,304**	12,637
– overprovision in respect of prior years	**(643)**	(1,246)
	6,661	11,391
Enterprise income tax in the PRC attributable to subsidiaries	**9,476**	14,411
Overseas income tax	**109**	327
	16,246	26,129
Deferred tax:		
– current year	**886**	(7,610)
– effect of change in tax rate	**(12)**	–
	17,120	18,519

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

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

6. PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**16,985**	18,166
Other staff costs	**281,645**	246,607
Total staff costs	**298,630**	264,773
Auditor's remuneration	**2,198**	2,406
Depreciation of property, plant and equipment	**204,371**	166,953
Operating expenses paid to a joint venture partner in the PRC	**–**	4,031
Loss on fair value changes of investment properties	**–**	10,946
Release of prepaid lease payments	**645**	585
and after crediting:		
Gross rental income from investment properties	**958**	7,850
Less: Outgoings	**(129)**	(765)
Net property rental income	**829**	7,085
Gain on disposal of property, plant and equipment	**12,577**	1,901
Bank interest income	**3,062**	3,479

7. DISTRIBUTIONS

	2009	2008
	HK$'000	*HK$'000*
2009 interim dividend of nil (2008: HK8.0 cents) per ordinary share	**–**	53,417
2009 final dividend of nil (2008: HK6.8 cents) per ordinary share	**–**	45,958
	–	99,375

The amount of dividends recognised as distributions to equity holders of the Company was HK$45,958,000 for the year ended 31 March 2009 (2008: HK$98,403,000).

	2009	2008
	HK$'000	*HK$'000*
2009 interim dividend of nil (2008: HK8.0 cents) per ordinary share	**–**	53,417
2008 final dividend of HK6.8 cents (2007: HK6.8 cents) per ordinary share	**45,958**	44,986
	45,958	98,403

8. EARNINGS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company	**216,865**	341,788
Number of shares *(note i)*		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**729,768,643**	708,967,197
Effect of dilutive potential ordinary shares in respect of share options	**–**	2,726,772
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**729,768,643**	711,693,969

Notes:

(i) The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the years ended 31 March 2009 and 2008 have been retrospectively adjusted for the effect of the rights issue completed in the current year.

(ii) No diluted earnings per share has been presented for the year ended 31 March 2009 because the exercise price of the Company's share options outstanding for the year was higher than the average market price of the shares.

9. TRADE RECEIVABLES

The Group allows an average credit period of 90 – 120 days to its trade customers.

The following is an aged analysis of trade and bills receivables at the balance sheet date:

	2009	2008
	HK$'000	*HK$'000*
0 – 60 days	**637,345**	723,767
61 – 90 days	**165,238**	115,703
91 – 120 days	**48,264**	36,931
Over 120 days	**24,667**	30,041
	875,514	906,442

10. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2009	2008
	HK$'000	*HK$'000*
0 – 60 days	**326,744**	376,486
61 – 90 days	**30,538**	33,050
Over 90 days	**19,631**	41,027
	376,913	450,563

DIVIDENDS

The Directors have resolved not to declare any final dividend for the year ended 31 March 2009.

BUSINESS REVIEW

During the financial year under review, the operation environment was full of challenges and difficulties for the textile and garment industry. The global economy has been struggling in the current credit market turmoil stemming from the subprime crisis in the United States (the "US"), which has adversely affected both consumer confidence and discretionary spending. Many brands and retailers in the US and Europe are aggressively reducing their inventories, thus purchase orders for our knitted fabric products and garment apparels have been affected especially during the second half of the financial year.

For the year ended 31 March 2009, the Group's consolidated revenue slightly decreased by 0.4% to HK$4.1 billion. Profit attributable to equity shareholders was HK$216.9 million, which included losses of approximately HK$28.5 million (2008: gains of approximately HK$41.7 million) arising from the fair value changes of the derivative financial instruments. Hence, profit from normal operations actually dropped by 18.6% as compared with previous financial year (2008: approximately HK$307 million). Basic earnings per share decreased from HK48.2 cents to HK29.7 cents for the financial year under review.

Production and sale of knitted fabric and dyed yarn remained as the principal operation of the Group and accounted for 68.6% of the consolidated revenue. Despite the adverse market conditions, revenue of this business segment reached HK$2.8 billion, representing a growth of 4.9% as compared with the previous year. The weakened consumer confidence has led to the slow down in purchase orders notably for the second half of the financial year. The difficult market conditions together with further stringent environmental regulations exerted pressure on all players of the industry, triggering faster consolidation. The expedited consolidation gave us rooms for increasing our market shares in both the export and domestic markets of the People's Republic of China (the "PRC"). However, surging fuel and labour costs as well as inflation in operation overheads brought pressure to our profit margins.

Revenue of the garment segment was close to HK$1.3 billion, account for 31.4% of the consolidation revenue. During the financial year under review, difficult trading environment together with volatile purchase orders stemmed from the global financial tsunami continued to haunt the garment industry. Competitions were severe and affected our profit margins. The management has exercised tight cost controls as well as efficient order schedulings and production plannings to reduce the adverse impact from the price cut.

Despite all the significant obstacles and difficult economic environment, we managed to strengthen our market position amidst keen competition. Even though there were downfalls in both revenue and profits during the financial year under review, the Directors are of great confidence to overcome all negative factors and maintain sustained profitability of the Group in the years to come.

OUTLOOK

Looking forward, we expect the financial tsunami and the slowdown of the global economy will continue, resulting in an uncertain and volatile operating environment in the short run. However, we strongly believe that with our solid foundation, vertically-integrated set-up together with the environmental-conscious production facilities, the Group will maintain its sustainability and adapt rapidly to changing operation conditions and meet challenges in the market.

For the textiles business, following the consolidation of the industry and our stringent cost controls and streamlining measures, we have seen improvements in our order books and operation performance in the initial months of the new financial year. Our marketing teams will adopt a more aggressive approach to develop new clientele from both export and domestic PRC markets. We expect our market share in the business segment still have ample room to grow during these challenging periods.

For the garment business, with our diversified sourcing capability coupled with self-owned garment manufacturing facilities in the PRC and Indonesia, is well-positioned to capture the rising business opportunities. Market competitions remain severe and price cuts are anticipated. We have already streamlined our work force and will further reduce operating overheads by moving our merchandising support office to the PRC in late 2009. Together with continuing growth of garment apparel orders from domestic PRC customers, we remain cautiously optimistic towards the garment business segment, especially when export market demands gradually recover in the coming years.

No matter how difficult and challenging the operation environment is, the management will continue to dedicate all its effort to achieve our corporate vision of being a worldwide premier supplier of choice for textile and garment products. Our foundation, strength, foresight and commitments as well as strong support from our business partners will bring high returns to shareholders of the Company in the next couple of years.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2009, the Group had total assets of HK$5,396,052,000 (2008: HK$5,608,436,000) which were financed by current liabilities of HK$1,662,841,000 (2008: HK$1,856,712,000), long term liabilities of HK$860,997,000 (2008: HK$1,242,659,000) and shareholders' equity of HK$2,729,883,000 (2008: HK$2,391,639,000). The current ratio was approximately 1.7 (2008: 1.8) and the gearing ratio, being the ratio of total borrowings (excluding bills discounted and debts factored, and net of bank balances and cash) to shareholders funds was 44% (2008: 71%). All of the Group's borrowings were at floating rate basis. During the financial year, the Company had raised the net proceeds of HK$148 million from a rights issue, further details of which were disclosed in the announcement of the Company dated 3 December 2008 and the circular of the Company dated 23 December 2008.

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, Chinese Renminbi and US dollars. The fluctuations in the US dollars and Renminbi have always been the concern of the Group. In order to mitigate the foreign currency risk, the Group had entered into appropriate hedging arrangements in accordance with the Group's risk management policies.

Capital Expenditure

During the year, the Group invested approximately HK$322 million on additions to property, plant and equipment.

As at 31 March 2009, the Group had capital commitments of approximately HK$42 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 2009, certain investment properties of the Group with net book value of approximately HK$91 million (2008: HK$133 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 31 March 2009, total number of employees of the Group were approximately 205 in Hong Kong and Macau (2008: 260), approximately 4 in the US and Canada (2008: 5), approximately 1,050 in Indonesia (2008: 1,470) and approximately 6,830 in the PRC (2008: 8,645). Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

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

During the year, the Company repurchased 348,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited at an aggregate price of approximately HK$555,280. The share buyback reflected management's confidence in the future development of the Group's business. Furthermore, it also enhanced earnings per share of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the year ended 31 March 2009 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2009.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under "Latest Listed Company Information" and on the website of the Company at www.victorycity.com.hk. The annual report for the year ended 31 March 2009 will be despatched to the shareholders of the Company and will be published on the above websites in due course.

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

Hong Kong, 16 July 2009

As at the date of this announcement, the executive directors of the Company 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*