

**VICTORY CITY INTERNATIONAL HOLDINGS LTD:
THIS COMPANY IS ON A ROLL !**

Due to the numerous changes in the accounting treatment of certain balance sheet items, as recommended by the Hongkong Institute of Certified Public Accountants (), there would appear to be a certain amount of 'distortion' when trying to compare one financial year's results of a company with that of a prior year's results.

Such a situation appears to exist in respect of the latest annual report of Victory City International Holdings Ltd () (Code: 539, Main Board, The Stock Exchange of Hongkong Ltd).

At Page 76 of the 2006 Annual Report of this company, for the Financial Year, ended March 31, 2006, it is stated, under '**Bank Borrowings**', that, as at the 2006 Balance Sheet Date, the company had unsecured borrowings of about \$HK1.39 billion.

As at the 2005 Balance Sheet Date, the unsecured borrowings stood at \$HK996.43 million.

Total Borrowings, Note 23 indicates, are about \$HK1.44 billion, compared with the 2005 figure of about \$HK1.04 billion.

At Page 74 of the 2006 Annual Report, one learns that that which may appear to be readily apparent may not, necessary, be indicative of the entire situation.

From January 1, 2005, Hongkong corporate entities are required, under the present (and relatively new) **Hongkong Financial Reporting Standards** (HKFRs) to follow the guidelines as laid down by the Hongkong Institute of Certified Public Accountants.

A case in point is that, under Note 19 of the 2006 Annual Report of Victory City, labelled, '*Trade Receivables*', the following is stated:

'As a cash flow management, the Group discounted certain bills receivable to banks with recourse in exchange for cash. The discounted trade receivables as at 31 March 2006 amounted to approximately HK\$191,248,000 and pursuant to HKAS 39, the discounted trade receivables and the related proceeds of the same amount were included in the "Trade receivables" and "Bank borrowings – amount due within one year" balances of the financial statements of the Company as at 31 March 2006. In accordance with the transitional provision of HKAS 39, comparative amount as at 31 March 2005 of approximately HK\$189,673,000 has not been restated.'*

* HKAS = **H**ongkong **A**ccounting **S**tandards

Whereas, in the past, discounted bills, translated into cash by banks at discounts, were treated as Current Assets, under HKAS 39 (Financial Instruments – Reconciliation and Measurement), they are treated as Current Liabilities and/or, in the above case, as '*Bills discounted with recourse and debts factored with recourse.*'

Therefore, to compare one year's financials with a previous year's is somewhat onerous – if not impossible unless one is an insider.

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