VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 539)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

RESULTS

The directors (the "Directors") of Victory City International Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007. The interim results have been reviewed by the Company's auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The interim results have also been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**2,166,440**	1,821,174
Cost of sales		**(1,761,645)**	(1,452,712)
Gross profit		**404,795**	368,462
Other income		**22,502**	24,684
Distribution costs		**(60,466)**	(50,848)
Administrative expenses		**(120,583)**	(119,315)
Share of result of a jointly controlled entity		**193**	–
Finance costs		**(28,672)**	(27,754)
Profit before taxation		**217,769**	195,229
Income tax expense	*4*	**(21,851)**	(20,214)
Profit for the period	*5*	**195,918**	175,015
Attributable to:			
Equity holders of the Company		**174,750**	156,367
Minority interests		**21,168**	18,648
		195,918	175,015
Distributions	*6*	**53,417**	46,919
Earnings per share	*7*		
Basic		**HK26.4 cents**	HK24.3 cents
Diluted		**HK26.1 cents**	HK24.2 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2007 HK$'000 (unaudited)	31 March 2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**2,092,188**	1,880,762
Prepaid lease payments		**24,220**	23,979
Investment properties	*9*	**233,350**	233,080
Goodwill		**6,185**	6,185
Interest in a jointly controlled entity		**531**	338
		2,356,474	2,144,344
Current assets			
Inventories		**1,237,550**	1,218,404
Trade receivables	*10*	**994,931**	957,011
Deposits, prepayments and other receivables		**143,636**	128,751
Prepaid lease payments		**572**	670
Derivative financial instruments		**10,842**	1,649
Bank balances and cash		**209,514**	204,563
		2,597,045	2,511,048
Current liabilities			
Trade payables	*11*	**524,325**	539,794
Other payables		**73,213**	101,687
Dividend payable		**45,056**	276
Taxation payable		**71,941**	54,023
Bank borrowings – amount due within one year		**904,859**	788,483
Structured borrowings		**16,930**	18,832
Derivative financial instruments		**–**	25
		1,636,324	1,503,120
Net current assets		**960,721**	1,007,928
		3,317,195	3,152,272
Capital and reserves			
Share capital		**6,589**	6,609
Reserves		**2,082,084**	1,915,803
Equity attributable to equity holders of the Company		**2,088,673**	1,922,412
Minority interests		**111,546**	90,378
		2,200,219	2,012,790
Non-current liabilities			
Bank borrowings – amount due after one year		**1,037,151**	1,055,240
Structured borrowings		**67,720**	75,328
Deferred tax liabilities		**12,105**	8,914
		1,116,976	1,139,482
		3,317,195	3,152,272

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 12	Service Concession Arrangements[2]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[3]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[2]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 January 2008
[3] Effective for annual periods beginning on or after 1 July 2008

3. SEGMENT INFORMATION

Business segments

The Group is currently engaged in two business activities: (i) production and sale of knitted fabric and dyed yarn; and (ii) production and sale of garment products. These activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Six months ended 30 September 2007

	Knitted fabric and dyed yarn *HK$'000*	**Garment products** *HK$'000*	**Consolidated** *HK$'000*
REVENUE			
External sales	**1,421,194**	**745,246**	**2,166,440**
RESULTS			
Segment results	**186,427**	**47,030**	**233,457**
Unallocated corporate income			**17,266**
Unallocated corporate expenses			**(4,475)**
Share of result of a jointly controlled entity			**193**
Finance costs			**(28,672)**
Profit before taxation			**217,769**
Income tax expense			**(21,851)**
Profit for the period			**195,918**

Six months ended 30 September 2006

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated *HK$'000*
REVENUE			
External sales	1,236,546	584,628	1,821,174
RESULTS			
Segment results	172,743	37,668	210,411
Unallocated corporate income			19,596
Unallocated corporate expenses			(7,024)
Finance costs			(27,754)
Profit before taxation			195,229
Income tax expense			(20,214)
Profit for the period			175,015

4. INCOME TAX EXPENSE

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for the current period	**7,111**	8,943
Enterprise income tax in the Peoples' Republic of China attributable to the subsidiaries	**11,549**	9,966
	18,660	18,909
Deferred tax		
Current period	**3,191**	1,305
	21,851	20,214

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods.

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

5. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**79,585**	63,502
Release of prepaid lease payment	**286**	397
Gain on fair value changes of derivative financial instruments	**(9,218)**	(5,946)
Gain on fair value changes of structured borrowings	**(930)**	–
Gain on fair value changes of investment properties	**(270)**	(10,330)
Interest income	**(133)**	(1,520)

6. DISTRIBUTIONS

On 30 August 2007, the Company approved a final dividend of HK$45,032,000 representing HK6.8 cents per share in respect of the financial year ended 31 March 2007. On 25 August 2006, the Company approved a final dividend of HK$38,616,000 representing HK6.0 cents per share in respect of the financial year ended 31 March 2006. The amounts of these final dividends recommended were in cash with a scrip option.

In respect of the six months ended 30 September 2007, the directors have determined that an interim dividend of HK$53,417,000 representing HK8.0 cents per share (six months ended 30 September 2006: HK$46,919,000 representing HK7.2 cents per share), which will be in cash with a scrip option, should be paid to shareholders of the Company whose names appear in the Company's register of members on 17 January 2008.

7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**174,750**	156,367
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**661,667**	643,601
Effect of dilutive potential ordinary shares in respect of share options	**6,626**	2,289
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**668,293**	645,890

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$257 million (six months ended 30 September 2006: HK$189 million) on additions to property, plant and equipment.

9. MOVEMENTS IN INVESTMENT PROPERTIES

The investment properties of the Group were valued as at 30 September 2007 by Savills (Hong Kong) Limited, an independent qualified professional valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market prices for similar properties. The changes in fair value of investment properties amounting to HK$270,000 (six months ended 30 September 2006: HK$10,330,000) has been credited to the condensed consolidated income statement. Certain investment properties of the Group with an aggregate carrying value of approximately HK$173,100,000 (31 March 2007: HK$173,100,000) were pledged to banks as security for the credit facilities granted to the Group.

10. TRADE RECEIVABLES

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

The following is an aged analysis of trade receivables at the reporting date:

	30 September 2007 *HK$'000*	31 March 2007 *HK$'000*
0 – 60 days	**636,550**	714,194
61 – 90 days	**211,883**	125,301
91 – 120 days	**101,854**	82,500
Over 120 days	**44,644**	35,016
	994,931	957,011

11. TRADE PAYABLES

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

	30 September 2007 *HK$'000*	31 March 2007 *HK$'000*
0 – 60 days	**418,021**	423,973
61 – 90 days	**79,195**	44,226
Over 90 days	**27,109**	71,595
	524,325	539,794

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK8.0 cents (2007: HK7.2 cents) per share of the Company for the year ending 31 March 2008. The interim dividend will be payable on 7 March 2008 to shareholders whose names appear on the register of members of the Company on 17 January 2008 with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash.

A circular containing details of the scrip dividend scheme together with an election form will be sent to the shareholders of the Company as soon as practicable. The scrip dividend scheme is subject to the following conditions: (a) the issue price of a new share of the Company to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares of the Company to be issued pursuant thereto.

BUSINESS REVIEW AND PROSPECTS

Surrounded by unfavourable factors such as increase in fuel costs and labour costs, stringent environmental protection measures and pressure on general expenses exerted by Renminbi appreciation, the operation environment were tough for the textile and garment industry in the first half of the financial year. At the same time, the impact of the subprime crisis and uncertainties in the US economy have adversely affected the consumer confidence. Purchase orders for both textile and garment products began to slow down since August 2007. Against such a backdrop, the Group managed to persevere and attained satisfactory results during the period under review. For the six months ended 30 September 2007, the Group's total revenue was HK$2.17 billion, representing an increase of 19% on the level of HK$1.82 billion for the same period last year. Profit attributable to shareholders of the Company rose by 12% to HK$174.8 million. Basic earnings per share increased from HK24.3 cents to HK26.4 cents for the period under review.

In line with our uninterrupted growth in both revenue and profit for the past nine years, the Group continued to build on the foundations made in previous years to achieve further improvement in revenue and profit. Revenue of the textile segment reached HK$1.4 billion, signifying an increase of 15% as compared with the previous period. The continuous increase in operating costs and further stringent environmental regulations exerted pressure on all players in the industry. The expedited consolidation of the fabric industry enabled us to increase our market share. With the continuing strong growth in the domestic PRC market and the increasing international demand for garments manufactured in PRC, we are able to capture the domestic as well as export market with our quality products and efficient and comprehensive services.

The garment segment continued to achieve satisfactory performance during the period under review. Revenue of this segment, which accounted for 34% of the total revenue, achieved a 27% growth to HK$745 million. Our diversified global sourcing network together with our self-owned garment manufacturing facilities provide comprehensive services to our customers with flexible and efficient production schedules as well as diversified product ranges. With the impending elimination of export quotas especially from PRC to Europe in 2008 and then to USA in 2009, the Group will proactively take the advantage of the migration of garment industry to Asia, especially to PRC, by expanding our manufacturing facilities as well as to capitalize on the growing demand of the domestic apparel market.

It is anticipated that the global trading environment will remain highly competitive. Raw materials and fuel costs are likely to maintain at high level; the upward trend in labour costs is expected to persist; and general operating costs will continue to rise. In view of all these challenges, the Group will maintain its vigilance to further tighten its cost control measures and to further enhance its production efficiency and effectiveness. All of these, backed up by our vertically-integrated set-up together with our environmental-conscious facilities, formed a solid platform for our continual success. Looking ahead, we will strive to sustain profitability, bearing in mind our commitment of bringing high returns to our shareholders.

Subsequent to 30 September 2007, the Group disposed a building unit and all investment properties situated at Lee Hang Industrial Building in Hong Kong for an aggregate consideration of HK$238 million. The transaction is expected to be completed in mid-2008 and the Directors consider the disposals will provide working capital for the Group as well as reduce the bank borrowings.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2007, the Group had total assets of HK$4,953,519,000 (31 March 2007: HK$4,655,392,000) which were financed by current liabilities of HK$1,636,324,000 (31 March 2007: HK$1,503,120,000), long term liabilities of HK$1,116,976,000 (31 March 2007: HK$1,139,482,000) and shareholders' equity of HK$2,088,673,000 (31 March 2007: HK$1,922,412,000). The current ratio was approximately 1.6 (31 March 2007: 1.7) 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 74% (31 March 2007: 80%). 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, 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 will enter into appropriate hedging arrangements in accordance with the Group's risk management policies.

Capital Expenditure

During the period, the Group invested approximately HK$257 million on additions to property, plant and equipment.

As at 30 September 2007, the Group had capital commitments of approximately HK$48 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 30 September 2007, certain investment properties of the Group with net book value of approximately HK$173 million (31 March 2007: approximately HK$173 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 30 September 2007, total number of employees of the Group were approximately 250 in Hong Kong and Macau, approximately 10 in the United States and Canada, approximately 940 in Jordan, approximately 1,400 in Indonesia and approximately 7,600 in the People's Republic of China. 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 with an appropriate incentive interest in the growth of the Group.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the year ending 31 March 2008, the register of members of the Company will be closed from Monday, 14 January 2008 to Thursday, 17 January 2008 both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the interim dividend for the year ending 31 March 2008, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 11 January 2008.

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

During the period under review, the Company repurchased 3,252,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate price of HK$8,401,060. 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 six months ended 30 September 2007 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules ("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 ("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 six months ended 30 September 2007.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Company Information" and on the website of the Company at www.victorycity.com.hk. The interim report for the six months ended 30 September 2007 will be dispatched 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, 19 December 2007

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. So Kam Wah, 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*