VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0539)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2008

RESULTS

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 2008 (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 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	2	**4,104,773**	3,892,044
Cost of sales		**(3,346,188)**	(3,144,682)
Gross profit		**758,585**	747,362
Other income		**72,959**	45,568
Selling and distribution costs		**(96,656)**	(116,937)
Administrative expenses		**(281,533)**	(241,239)
Share of loss of a jointly controlled entity		**(338)**	(1,002)
Finance costs	3	**(65,144)**	(62,995)
Profit before taxation		**387,873**	370,757
Income tax expense	4	**(18,519)**	(25,967)
Profit for the year	5	**369,354**	344,790
Attributable to:			
Equity holders of the Company		**341,788**	305,501
Minority shareholders		**27,566**	39,289
		369,354	344,790
Distributions	6	**99,375**	91,951
Earnings per share	7		
Basic		**51.4 cents**	47.1 cents
Diluted		**51.2 cents**	46.8 cents

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**2,283,968**	1,880,762
Prepaid lease payments		**21,283**	23,979
Investment properties		**2,470**	233,080
Goodwill		**6,185**	6,185
Interest in a jointly controlled entity		**–**	338
Deposit paid for acquisition of property, plant and equipment		**8,735**	–
		2,322,641	2,144,344
Current assets			
Inventories		**1,495,200**	1,218,404
Trade receivables	*8*	**906,442**	957,011
Deposits, prepayments and other receivables		**114,773**	128,751
Prepaid lease payments		**479**	670
Structured deposit		**39,399**	–
Derivative financial instruments		**33,972**	1,649
Bank balances and cash		**470,139**	204,563
		3,060,404	2,511,048
Asset classified as held for sale		**225,391**	–
		3,285,795	2,511,048
Current liabilities			
Trade payables	*9*	**450,563**	539,794
Other payables		**91,882**	101,687
Dividend payable		**237**	276
Taxation payable		**55,251**	54,023
Bank borrowings – amount due within one year		**1,160,339**	788,483
Structured borrowings – amount due within one year		**17,168**	18,832
Derivative financial instruments		**12,190**	25
		1,787,630	1,503,120
Liabilities associated with asset classified as held for sale		**69,082**	–
		1,856,712	1,503,120
Net current assets		**1,429,083**	1,007,928
		3,751,724	3,152,272

	2008	2007
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**6,758**	6,609
Reserves	**2,384,881**	1,915,803
Equity attributable to equity holders of the Company	**2,391,639**	1,922,412
Minority interests	**117,426**	90,378
Total equity	**2,509,065**	2,012,790
Non-current liabilities		
Bank borrowings – amount due after one year	**1,190,960**	1,055,240
Structured borrowings – amount due after one year	**51,503**	75,328
Deferred taxation	**196**	8,914
	1,242,659	1,139,482
	3,751,724	3,152,272

Notes:

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in the prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Other than the above, the adoption of the new HKFRSs has 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.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 12	Service Concession Arrangements[3]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[4]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

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

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new and revised standards 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 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**

Year ended 31 March 2007

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated *HK$'000*
REVENUE			
External sales	2,607,913	1,284,131	3,892,044
RESULTS			
Segment results	332,095	93,848	425,943
Unallocated corporate income			29,015
Unallocated corporate expenses			(20,204)
Share of loss of a jointly controlled entity			(1,002)
Finance costs			(62,995)
Profit before taxation			370,757
Income tax expense			(25,967)
Profit for the year			344,790

Geographical Segments

The Group's operations are mainly located in Hong Kong, other regions of the People's Republic of China (the "PRC") and United States of America ("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	
	2008 *HK$'000*	2007 *HK$'000*
Hong Kong	**655,893**	855,242
Other regions of the PRC	**1,447,794**	960,394
USA	**1,057,539**	1,029,354
Others	**943,547**	1,047,054
	4,104,773	3,892,044

3. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings wholly repayable within five years	**112,309**	87,789
– bank borrowings not wholly repayable within five years	**2,825**	1,983
– finance leases	**–**	54
Total borrowing costs	**115,134**	89,826
Less: amounts capitalised	**(49,990)**	(26,831)
	65,144	62,995

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 5% (2007: 4%).

4. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax		
– current year	**12,637**	10,987
– (over)underprovision in respect of prior years	**(1,246)**	744
	11,391	11,731
Enterprise income tax in the PRC attributable to subsidiaries	**14,411**	14,200
Overseas income tax	**327**	273
	26,129	26,204
Deferred tax:		
Current year	**(7,610)**	(237)
	18,519	25,967

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year.

Taxation arising in jurisdictions other than Hong Kong and PRC is calculated at the rates prevailing in the respective jurisdictions.

5. PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**18,166**	16,098
Other staff costs	**246,607**	214,594
Total staff costs	**264,773**	230,692
Auditor's remuneration		
– current year	**2,406**	2,100
– overprovision in prior years	**–**	(100)
	2,406	2,000
Release of prepaid lease payments	**585**	561
Depreciation of property, plant and equipment	**166,953**	145,111
Operating expenses paid to a joint venture partner in the PRC	**4,031**	3,769
Impairment losses recognised on receivables	**3,101**	–
Loss on fair value changes of investment properties	**10,946**	–
Loss on fair value changes of structured borrowings	**–**	8,360
Net foreign exchange losses	**4,016**	6,345
and after crediting:		
Gross rental income from investment properties and property, plant and equipment	**7,850**	6,840
Less: Outgoings	**(765)**	(735)
Net property rental income	**7,085**	6,105
Gain on derivative financial instruments which matured during the year	**12,793**	1,026
Gain on fair value changes of outstanding derivative financial instruments	**20,158**	4,307
Gain on fair value changes of structured borrowings	**8,329**	–
Gain on fair value changes of structured deposit	**399**	–
Gain on disposal of property, plant and equipment	**1,901**	523
Gain on fair value changes of investment properties	**–**	17,868
Interest income	**3,479**	3,000

6. DISTRIBUTIONS

	2008	2007
	HK$'000	*HK$'000*
2008 Interim dividend of HK8 cents (2007: HK7.2 cents) per ordinary share	**53,417**	46,919
Proposed final dividend of HK6.8 cents (2007: HK6.8 cents) per ordinary share	**45,958**	45,032
	99,375	91,951

The amount of dividends recognised as distributions to equity holders of the Company was HK$98,403,000 for the year ended 31 March 2008 (2007: HK$85,535,000).

The amount of the final dividend proposed for the year ended 31 March 2008, which will be in cash form with a scrip dividend option, has been calculated by reference to the 675,849,667 issued ordinary shares outstanding as at the date of these financial statements.

The final dividend of HK6.8 cents (2007: HK6.8 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. 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:

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company	**341,788**	305,501
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**664,766,145**	648,954,956
Effect of dilutive potential ordinary shares in respect of share options	**2,556,770**	4,214,086
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**667,322,915**	653,169,042

8. 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 receivables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	**723,767**	714,194
61 – 90 days	**115,703**	125,301
91 – 120 days	**36,931**	82,500
Over 120 days	**30,041**	35,016
	906,442	957,011

9. TRADE PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	**376,486**	423,973
61 – 90 days	**33,050**	44,226
Over 90 days	**41,027**	71,595
	450,563	539,794

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK6.8 cents per share (each a "Share") of HK$0.01 each of the Company in respect of the year ended 31 March 2008 to shareholders whose names appear on the register of members of the Company on 28 August 2008 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 annual general meeting of the Company and the granting by The Stock Exchange of Hong Kong Limited 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 2008.

On condition that the payment of the above final dividend is approved by the shareholders at the annual general meeting of the Company, a circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders of the Company shortly after the annual general meeting of the Company.

BUSINESS REVIEW

Although faced with various unfavourable conditions, revenue in each of our business segment continued to grow during the financial year under review. For the past twelve months, uncertain macroeconomic factors due to the subprime crisis had led to volatility in purchase orders from our export customers. The upsurge of crude oil prices also raised the costs of synthetic yarn, dyestuff and other raw materials. The new PRC labour law launched in January 2008 gave additional pressure to our labour costs. Together with other rising overheads, stringent environmental protection measures and the appreciation of the Renminbi, all these converged to a tough and volatile operation environment for the textile and garment industry. Nevertheless, the Group managed to persevere and attained satisfactory results through the dedicated efforts of our management and staff.

For the year ended 31 March 2008, the Group's total revenue rose by 5% to HK$4.1 billion and profit for the year attributable to equity holders of the Company surged to HK$341.8 million, signifying an increase of 11.9% as compared with the previous year. Basic earnings per share increased from 47.1 cents in 2007 to 51.4 cents in 2008.

Production and sale of knitted fabric and dyed yarn remained as the principal operation of the Group. Revenue of this segment reached HK$2.7 billion, accounted for 65% of the consolidated revenue. The weakened consumer confidence has led to slow down in purchase orders notably for the second half of the financial year. The continuous increase in operating costs and further stringent environmental regulations exerted pressure on all players and has expedited the consolidation of the textile industry. Taking advantage of our well-established environmental-conscious infrastructure, efficient and comprehensive services and quality products, we were able to increase our market share. In addition, the Group managed to increase the average selling price of both knitted fabric and dyed yarn in order to counter the effect of the rising costs. Together with the dedicated effort of the marketing teams in exploring new customers from both export and domestic PRC markets, both revenue and net profit of the textile segment were increased steadily for the year under review.

The garment segment continued to demonstrate satisfactory performance during the year under review by achieving a 11% growth in revenue to HK$1.4 billion, accounting for 35% of the consolidated revenue. 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. However, due to difficult trading environment as well as volatile purchase orders stemmed from unfavourable macroeconomic factors, price competition was severe in the garment industry which has affected our profit margins. The management continued to exercise tight cost controls as well as efficient order schedulings and production plannings, allowed the operating net margin remained at similar level as compared with previous year.

Despite all the significant obstacles and difficult economic environment, we managed to strengthen our market position amidst keen competition. Our management and staff have met and exceeded demanding expectations in a difficult market and the Group's performance in the past year had shown how their hard work and commitment to quality services helped the Group overcome negative factors and contributed to another year of uninterrupted success.

OUTLOOK

In the years to come, the Group continues to dedicate its effort to achieve our corporate vision of being a worldwide premier supplier of choice for the textile and garment products. Measures and endeavors will also be made to fine-tune the Group's business portfolio and to exploit larger market share with a view to improving its competitive edges and profitability.

Looking ahead, the continuing consolidation of the textile industry together with the growing demand of quality fabric from the domestic PRC market will contribute to our revenue growth. Apart from that, we will continue to focus on enhancement of business fundamentals, operational efficiency and incessant cost control. Our Xinhui production facilities have commenced a series of production modification process which will enhance our production efficiency as well as improve our product quality.

The elimination of export quotas from PRC to Europe since January 2008 and the impending elimination to US in 2009 will certainly provide steady and predictable growth for the export of Chinese textiles and garment products. Our garment segment, with our self-owned garment manufacturing facilities in PRC and Indonesia, is well-positioned to capitalise the rising business opportunities. Apart from the export orders, we also started to manufacture garment apparel for domestic PRC customers. With the strong backup from our vertically integrated set-up, orders from PRC branded customers have been increasing satisfactorily and we expect our domestic market share in PRC to grow steadily in the coming years.

Going forward, challenges as well as opportunities will arise from the expedited consolidation in the textile industry. We believe that with our solid foundation, well-planned environmental-conscious infrastructure and committed focus of the management team, the Group is well-equipped to enhance its competitiveness and to meet the new challenges in the market. While the year ahead will be a challenging and difficult one, our track record encourages us to aim higher and bring the most satisfactory returns to our shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2008, the Group had total assets of HK$5,608,436,000 (2007: HK$4,655,392,000) which were financed by current liabilities of HK$1,856,712,000 (2007: HK$1,503,120,000), long term liabilities of HK$1,242,659,000 (2007: HK$1,139,482,000) and shareholders' equity of HK$2,391,639,000 (2007: HK$1,922,412,000). The current ratio was approximately 1.8 (2007: 1.7) and the gearing ratio, being the ratio of total borrowings (excluding bills discounted and debts factored, and net of structured deposits bank balances and cash) to shareholders funds was 71% (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 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$425 million on additions to property, plant and equipment.

As at 31 March 2008, the Group had capital commitments of approximately HK$178 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 2008, certain investment properties of the Group with net book value of approximately HK$133 million (2007: HK$173 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 31 March 2008, total number of employees of the Group were approximately 260 in Hong Kong and Macau (2007: 250), approximately 5 (2007: 10) in the United States and Canada, approximately 540 in Jordan (2007: 1,200), approximately 1,470 in Indonesia (2007: 1,150) and approximately 8,645 in the People's Republic of China (2007: 7,860). 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.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the final dividend for the year ended 31 March 2008, the register of members of the Company will be closed from Monday, 25 August 2008 to Thursday, 28 August 2008 (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 2008, 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on Friday, 22 August 2008.

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

During the year, the Company repurchased 3,600,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited at an aggregate price of approximately HK$9,198,700. 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 2008 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 year ended 31 March 2008.

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.hkex.com.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 2008 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, 22 July 2008

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.