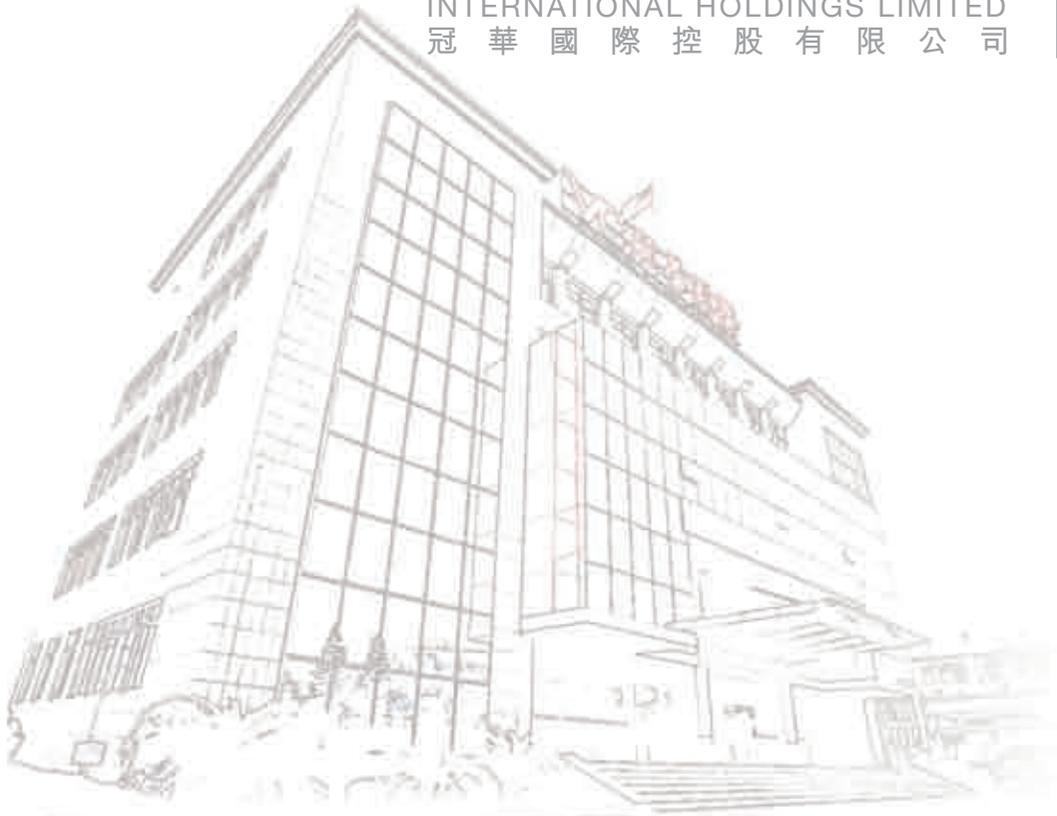




victory city

INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司

INTERIM REPORT 08/09
中 期 報 告



Stock Code 股份代號: 539



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Corporate Information

Board of Directors

Executive

Li Ming Hung (Chairman)
Chen Tien Tui (Chief Executive Officer)
So Kam Wah
Lee Yuen Chiu, Andy
Choi Lin Hung

Independent Non-Executive

Kan Ka Hon
Phaisalakani Vichai (Andy Hung)
Kwok Sze Chi

Company Secretary

Lee Chung Shing

Legal Advisers

Chiu & Partners

Auditor

Deloitte Touche Tohmatsu

Major Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Bank of America, N.A.
United Overseas Bank Limited
Agricultural Bank of China
CITIC Ka Wah Bank Limited

Principal Share Registrars

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Registrars in Hong Kong

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
New Territories
Hong Kong

Company Website

www.victorycity.com.hk

Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Notes	Six months ended 30 September	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Revenue	3	2,244,188	2,166,440
Cost of sales		(1,873,215)	(1,761,645)
Gross profit		370,973	404,795
Other income and gains		23,336	22,502
Selling and distribution costs		(50,792)	(60,466)
Administrative expenses		(135,391)	(120,583)
Share of result of a jointly controlled entity		–	193
Finance costs		(23,716)	(28,672)
Profit before taxation		184,410	217,769
Income tax expense	4	(12,431)	(21,851)
Profit for the period	5	171,979	195,918
Attributable to:			
Equity holders of the Company		152,849	174,750
Minority interests		19,130	21,168
		171,979	195,918
Distributions	6	–	53,417
Earnings per share	7		
Basic		HK22.6 cents	HK26.4 cents
Diluted		HK22.6 cents	HK26.1 cents

Condensed Consolidated Balance Sheet

AT 30 SEPTEMBER 2008

	NOTES	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	2,419,215	2,283,968
Prepaid lease payments		21,516	21,283
Investment properties	9	2,470	2,470
Goodwill		6,185	6,185
Deposit paid for acquisition of property, plant and equipment		9,710	8,735
		2,459,096	2,322,641
Current assets			
Inventories		1,441,273	1,495,200
Trade receivables	10	1,080,545	906,442
Deposits, prepayments and other receivables		121,629	114,773
Prepaid lease payments		489	479
Structured deposits	13	96,386	39,399
Derivative financial instruments	15	15,633	33,972
Bank balances and cash		431,337	470,139
		3,187,292	3,060,404
Asset classified as held for sale		–	225,391
		3,187,292	3,285,795
Current liabilities			
Trade payables	11	434,721	450,563
Other payables		89,730	91,882
Dividend payable		46,195	237
Taxation payable		69,738	55,251
Bank borrowings – amount due within one year	12	1,311,546	1,160,339
Structured borrowings – amount due within one year	14	14,829	17,168
Derivative financial instruments	15	1,642	12,190
		1,968,401	1,787,630
Liabilities associated with asset classified as held for sale		–	69,082
		1,968,401	1,856,712
Net current assets		1,218,891	1,429,083
		3,677,987	3,751,724

	NOTES	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Capital and reserves			
Share capital	16	6,755	6,758
Reserves		2,495,846	2,384,881
<hr/>			
Equity attributable to equity holders of the Company		2,502,601	2,391,639
Minority interests		135,958	117,426
<hr/>			
Total equity		2,638,559	2,509,065
<hr/>			
Non-current liabilities			
Bank borrowings – amount due after one year	12	994,746	1,190,960
Structured borrowings – amount due after one year	14	44,486	51,503
Deferred taxation		196	196
<hr/>			
		1,039,428	1,242,659
<hr/>			
		3,677,987	3,751,724
<hr/>			

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2007 (audited)	6,609	720,798	-	76,229	203,680	45,032	870,064	1,922,412	90,378	2,012,790
Exchange difference arising from translation of foreign operations, representing total income recognised directly in equity	-	-	-	-	40,916	-	-	40,916	-	40,916
Profit for the period	-	-	-	-	-	-	174,750	174,750	21,168	195,918
Total recognised income and expense for the period	-	-	-	-	40,916	-	174,750	215,666	21,168	236,834
Shares repurchased	(33)	(8,402)	33	-	-	-	-	(8,402)	-	(8,402)
Exercise of share options	13	4,016	-	-	-	-	-	4,029	-	4,029
2007 final dividends approved but not yet paid	-	-	-	-	-	(45,032)	-	(45,032)	-	(45,032)
At 30 September 2007 (unaudited)	6,589	716,412	33	76,229	244,596	-	1,044,814	2,088,673	111,546	2,200,219
Exchange difference arising from translation of foreign operations representing total income recognised directly in equity	-	-	-	-	150,765	-	-	150,765	-	150,765
Profit for the period	-	-	-	-	-	-	167,038	167,038	6,398	173,436
Total recognised income and expense for the period	-	-	-	-	150,765	-	167,038	317,803	6,398	324,201
Share repurchased	(3)	(760)	3	-	-	(46)	10	(796)	-	(796)
Issue of shares under scrip dividend scheme for 2007 final dividend and 2008 interim dividend	172	39,158	-	-	-	(39,330)	-	-	-	-
Interim dividend proposed	-	-	-	-	-	53,417	(53,417)	-	-	-
Final dividend proposed	-	-	-	-	-	45,958	(45,958)	-	-	-
Dividends paid	-	-	-	-	-	(14,041)	-	(14,041)	-	(14,041)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	(3,714)	(3,714)
Capital contribution by a minority shareholder	-	-	-	-	-	-	-	-	3,196	3,196
At 31 March 2008 (audited)	6,758	754,810	36	76,229	395,361	45,958	1,112,487	2,391,639	117,426	2,509,065
Exchange difference arising from translation of foreign operations representing total income recognised directly in equity	-	-	-	-	4,577	-	-	4,577	-	4,577
Profit for the period	-	-	-	-	-	-	152,849	152,849	19,130	171,979
Total recognised income and expense for the period	-	-	-	-	4,577	-	152,849	157,426	19,130	176,556
Shares repurchased	(3)	(506)	3	-	-	-	-	(506)	-	(506)
2008 final dividends approved but not yet paid	-	-	-	-	-	(45,958)	-	(45,958)	-	(45,958)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	(598)	(598)
At 30 September 2008 (unaudited)	6,755	754,304	39	76,229	399,938	-	1,265,336	2,502,601	135,958	2,638,559

Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	64,078	172,525
Net cash used in investing activities:		
Purchase of property, plant and equipment	(166,696)	(256,727)
Increase in structured deposits	(56,160)	-
Proceeds from disposal of asset and liabilities associated with asset classified as held for sale	169,966	-
Other investing cash flows	4,848	4,072
	(48,042)	(252,655)
Net cash (used in) from financing activities:		
Net proceeds from bills discounted with recourse, debts factored with recourse, import loans and trust receipt received	39,532	50,521
New bank loans raised	10,000	88,600
Repayment of bank loans	(94,655)	(49,414)
Other financing cash flows	(9,715)	(4,626)
	(54,838)	85,081
Net (decrease) increase in cash and cash equivalents	(38,802)	4,951
Cash and cash equivalents at beginning of the period	470,139	204,563
Cash and cash equivalents at end of the period, represented by bank balances and cash	431,337	209,514

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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 34 (HKAS 34), Interim Financial Reporting.

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, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

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 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 recognised.

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

- 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
- ³ Effective for annual periods beginning on or after 1 July 2009
- ⁴ Effective for annual periods beginning on or after 1 July 2008
- ⁵ Effective for annual periods beginning on or after 1 October 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 or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

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 2008

	Knitted fabric and dyed yarn HK\$'000	Garment products HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	1,547,197	696,991	2,244,188
RESULTS			
Segment results	166,953	41,839	208,792
Unallocated corporate income			6,570
Unallocated corporate expenses			(7,236)
Finance costs			(23,716)
Profit before taxation			184,410
Income tax expense			(12,431)
Profit for the period			171,979

3. SEGMENT INFORMATION *(continued)*

Six months ended 30 September 2007

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

4. INCOME TAX EXPENSE

	Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	8,177	7,111
Enterprise income tax in the People's Republic of China (the "PRC") attributable to the subsidiaries	5,022	11,549
Overseas income tax	340	–
	13,539	18,660
Deferred tax:		
Current period	(1,108)	3,191
	12,431	21,851

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current tax for the six months ended 30 September 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30 September 2008.

The newly promulgated Enterprise Income Tax Law imposes withholding tax upon the distribution of the profits earned by the PRC entities on or after 1 January 2008 to their shareholders. There was no significant deferred tax in respect of the temporary differences attributable to such undistributed profits.

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	
	2008	2007
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	93,285	79,585
Release of prepaid lease payment	246	286
Gain on fair value changes of derivative financial instruments	(769)	(9,218)
Gain on fair value changes of structured borrowings	(745)	(930)
Gain on fair value changes of structured deposits	(827)	–
Gain on fair value changes of investment properties	–	(270)
Interest income	(1,663)	(133)
Gain on disposal of property, plant and equipment	(12,549)	–

6. DISTRIBUTIONS

On 28 August 2008, the Company approved a final dividend of HK\$45,958,000 representing HK6.8 cents per share in respect of the financial year ended 31 March 2008. 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. The amounts of these final dividends recommended were in cash with a scrip option.

No dividends were paid, declared or proposed during the six months period ended 30 September 2008. The Directors do not recommend the payment of an interim dividend.

In respect of the six months ended 30 September 2007, the Directors determined that an interim dividend of HK\$53,417,000 representing HK8.0 cents per share, which would be in cash with a scrip option, should be paid to shareholders of the Company whose names appeared 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	
	2008 HK\$'000	2007 HK\$'000
Earnings		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	152,849	174,750
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	675,822	661,667
Effect of dilutive potential ordinary shares in respect of share options	–	6,626
Weighted average number of ordinary shares for the purposes of diluted earnings per share	675,822	668,293

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$167 million (six months ended 30 September 2007: HK\$257 million) on additions to property, plant and equipment.

9. MOVEMENTS IN INVESTMENT PROPERTIES

The investment properties of the Group were valued at 30 September 2008 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. In the current period, there was no material changes in fair value of the investment properties. For the six months ended 30 September 2007, a surplus of HK\$270,000 was credited to the condensed consolidated income statement.

On 17 October 2007, the Group entered into a provisional sales agreement with an independent third party to dispose certain investment properties amounted to HK\$219,664,000. Accordingly, the amount was transferred to asset classified as held for sale as at 31 March 2008 and subsequently disposed in the current period.

At 31 March 2008, certain investment properties of the Group with an aggregate carrying value of approximately HK\$173,100,000 were pledged to banks as security for the credit facilities granted to the Group. The security was released upon the completion of the disposal of investment properties during the period.

10. TRADE RECEIVABLES

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

The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	30 September 2008 HK\$'000	31 March 2007 HK\$'000
0 – 60 days	745,402	723,767
61 – 90 days	205,529	115,703
91 – 120 days	76,780	36,931
Over 120 days	52,834	30,041
	1,080,545	906,442

11. TRADE PAYABLES

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

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
0 – 60 days	334,874	376,486
61 – 90 days	59,120	33,050
Over 90 days	40,727	41,027
	434,721	450,563

12. BANK BORROWINGS

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Bank loans	1,573,899	1,658,438
Bills discounted with recourse and debts factored with recourse	418,313	264,614
Import loans and trust receipts loans	314,080	428,247
Mortgage loans	–	53,932
Transfer to liabilities associated with asset classified as held for sale	–	(53,932)
	2,306,292	2,351,299
Less: Amount due within one year included in current liabilities	(1,311,546)	(1,160,339)
Amount due after one year	994,746	1,190,960

During the period, the Group obtained new bank loans in the amount of approximately HK\$10,000,000 (six months ended 30 September 2007: HK\$88,600,000). The loans carry interest at market rates ranging from 3.55% to 4.55% per annum. The proceeds were used for the expansion of the Group's operation with interest capitalised of amounting to approximately HK\$10,539,000 (six month ended 30 September 2007: HK\$23,948,000).

13. STRUCTURED DEPOSITS

The structured deposits, with principal protected, contain embedded derivatives, the return of which is determined by reference to the change in certain interest rates and exchange rates quoted in the market. The structured deposits are designated as at financial asset at fair value through profit or loss on initial recognition.

At the balance sheet date, the structured deposits are stated at fair value and classified as current as the management intent to exercise the option for early termination within 12 months from the balance sheet date. The fair values are calculated using discounted cash flow analysis based on the applicable yield curves of interest rates and the appreciation of respective exchange rates.

14. STRUCTURED BORROWINGS

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Structured borrowings, classified as:		
Current	14,829	17,168
Non-current	44,486	51,503
	59,315	68,671

The structured borrowings contain embedded derivatives. Hence the entire combined contract was designated as at fair value through profit or loss upon initial recognition. The estimated amount repayable to the bank within one year, evenly split accordingly to repayment term, is classified as current liability.

The entire combined contract is measured at fair value and calculated using discounted cash flow analysis based on the applicable yield curves of interest rates at 30 September 2008. Increase in fair value of HK\$745,000 (six months ended 30 September 2007: HK\$930,000) during the period had been credited to the condensed consolidated income statement.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2008		31 March 2008	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rates swaps	10,837	–	18,331	(252)
Foreign currency forward contracts	4,796	(1,642)	15,641	(11,938)
	15,633	(1,642)	33,972	(12,190)

The above derivatives are measured at fair value at each balance sheet date. Their fair values are calculated using discounted cash flow analysis based on the applicable yield curves of interest rates and forward rate quoted by multi-national financial institutions for equivalent instruments at the balance sheet date.

16. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 April 2007, 31 March 2008 and 30 September 2008 at HK\$0.01 each	40,000,000	400,000
Issued and fully paid:		
At 1 April 2007	660,934	6,609
Exercise of share options	1,300	13
Share repurchased	(3,252)	(33)
At 30 September 2007	658,982	6,589
Issue of share under scrip dividend scheme for 2007 final and 2008 interim dividend	17,216	172
Share repurchased	(348)	(3)
At 31 March 2008	675,850	6,758
Share repurchased	(316)	(3)
At 30 September 2008	675,534	6,755

17. CAPITAL COMMITMENTS

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	97,276	178,420

18. RELATED PARTY DISCLOSURES

- (i) During the period, the Group paid operating lease rentals amounting to approximately HK\$54,000 (six months ended 30 September 2007: HK\$54,000) to Verdure Enterprises Limited (“Verdure”). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a director of the Company, and his family.
- (ii) On 27 October 2008, the Group entered into a new master sale and purchase agreement (“Master Supply Agreement”) with 南京新一棉紡織印染有限公司 Nanjing Synergy Textiles Limited (“Nanjing Synergy”) after the expiry of the previous agreement which is entered on 9 September 2005. The issued share capital of Nanjing Synergy is indirectly owned as to 50% each by a discretionary trust whose discretionary beneficiaries are the family members of Mr. Li Ming Hung and a discretionary trust whose discretionary beneficiaries are the family members of Mr. Chen Tien Tui, both are directors of the Company. Pursuant to the Master Supply Agreement, Nanjing Synergy agreed to supply yarn to the Group and no purchases was recorded during the period (six months ended 30 September 2007: HK\$159,755,000). As at 30 September 2008, the aggregate amount of purchase deposits placed by the Group in Nanjing Synergy was approximately HK\$32,642,000 (31 March 2008: HK\$55,577,000) which were included in deposits, prepayments and other receivables.
- (iii) On 1 April 2007, the Group entered into a master sale and purchase agreement (“Kimberly-Mayer Master Agreement”) with 加美(清遠)制衣有限公司 Kimberly (Qing Yuan) Garment Limited (“Kimberly”). Kimberly is owned by a director of a subsidiary of the Company. Pursuant to the Kimberly-Mayer Master Agreement, Kimberly agreed to supply apparel products to the Group and the purchase during the period was approximately HK\$21,319,000 (six months ended 30 September 2007: HK\$23,672,000). As at 30 September 2008, the aggregate amount of purchase deposits placed by the Group in Kimberly was approximately HK\$7,894,000 (31 March 2008: HK\$4,894,000) which were included in deposits, prepayments and other receivables.
- (iv) At 30 September 2008, the Company and certain of its wholly owned subsidiaries had conditionally agreed to provide guarantees in favour of several banks in respect of facilities granted by the banks to Ford Glory International Limited (“Ford Glory”), a non-wholly owned subsidiary of the Company in which Mr. Choi Lin Hung has a 49% beneficial interest.

18. RELATED PARTY DISCLOSURES *(continued)*

The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK\$596 million in aggregate as at 30 September 2008 (31 March 2008: HK\$579 million). The amount of financial assistance provided exceeds the proportional interest of the Company in Ford Glory. Mr. Choi Lin Hung did not provide similar guarantees to the banks but had provided pro rata counter indemnity to the Company and the relevant wholly owned subsidiaries of the Company.

- (v) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Basic salaries and allowances	7,151	6,385
Retirement benefit scheme contributions	167	170
	7,318	6,555

19. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group had the following significant transactions:

- (i) On 17 October 2008, the Company paid the 2008 final dividend by way of cash and scrip of HK\$31,055,000 and HK\$14,903,000, respectively.
- (ii) Pursuant to the announcement dated 3 December 2008, the Company proposed to issue not less than 341,831,666 shares and not more than 342,831,666 shares at a subscription price of HK\$0.439 each in the share capital of the Company, by way of rights issue in the proportion of one rights share for every two ordinary shares of HK\$0.01 each in the Company (the "Right Shares") held by the shareholders whose names appear on the register of members of the Company at the close of business on the record date for determining the entitlements of the shareholders to participate in the rights issue.

The rights issue is conditional upon the fulfilment or waiver of the conditions set out in the announcement and the transaction has not yet been completed up to the date of this report. The estimated net proceeds of the rights issue will be approximately HK\$147 million. The net proceeds are intended to be used as general working capital of the Group principally for its existing business. The Rights Shares, when allotted, issued and fully paid, will rank pari pass in all respects with the then existing issued shares.

Report on Review of Interim Financial Information



**TO THE BOARD OF DIRECTORS OF
VICTORY CITY INTERNATIONAL HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 19, which comprises the condensed consolidated balance sheet of Victory City International Holdings Limited and its subsidiaries as of 30 September 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements (“HKSRE”) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23 December 2008

The operation environment were full of challenges and difficulties for the textile and garment industry in the first half of the financial year. The continuous inflation in Renminbi exerted pressures on general expenses, the new PRC labour law launched in January 2008 gave additional pressure to labour costs and the uprising oil and coal prices largely increased the fuel costs. On top of these, the outbreak of the US subprime crisis has grown into a global financial tsunami which had high negative impact to the global economy and the consumer markets, affecting the purchase orders from the export customers. 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 2008, the Group's total revenue was HK\$2.24 billion, representing an increase of 3.6% on the level of HK\$2.17 billion for the same period last year. Profit attributable to equity holders of the Company dropped by 12.5% to HK\$152.8 million. Basic earnings per share decreased from HK26.4 cents to HK22.6 cents for the period under review.

Production and sales of knitted fabric and dyed yarn remained as the principal operation of the Group and accounted for 69% of the consolidated revenue. Revenue of this business segment reached HK\$1.55 billion, signifying an increase of 9% 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 textile industry enabled us to increase our market share in both export and domestic PRC markets. Although the Group managed to increase the average selling price of the textile products, the uprising fuel and labour costs brought adverse effect to the profit margins.



Revenue of the garment segment was HK\$697 million, accounted for 31% of the consolidated revenue. During the period under review, difficult trading environment as well as volatile purchase orders stemmed from the global financial tsunami continued to cloud the garment industry and affected the profit margins. The management will continue to exercise stringent cost controls and efficient order schedulings and production plannings so as to improve the

profit margins in the second half of the financial year. Taking into account that the elimination of export quotas from PRC to the US in 2009 and together with the strong growth in the domestic PRC market, the Directors are confident that the garment business will continue to play an important role in the corporate development of the Group in the coming years.

It is anticipated that the global trading environment will remain tough and difficult. The macro uncertainty triggered by the global financial tsunami continues to haunt the textile and garment industry. In view of all these challenges, the Group will maintain its vigilance to further tighten its cost control measures as well as to enhance its production efficiency and effectiveness. Backing up by the vertically-integrated set-up together with the environmental-conscious facilities, the Group is well-positioned to increase its market share following the consolidation of the textile and garment supply chain and when market demand gradually recovers in the next couples of years. The management will strive to sustain profitability so as to bring high returns to shareholders of the Company.

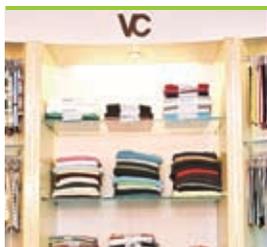


FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2008, the Group had total assets of HK\$5,646,388,000 (31 March 2008: HK\$5,608,436,000) which were financed by current liabilities of HK\$1,968,401,000 (31 March 2008: HK\$1,856,712,000), long term liabilities of HK\$1,039,428,000 (31 March 2008: HK\$1,242,659,000) and shareholders' equity of HK\$2,502,601,000 (31 March 2008: HK\$2,391,639,000). The current ratio was approximately 1.6 (31 March 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 57% (31 March 2008: 71%). 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 period, the Group invested approximately HK\$167 million (six months ended 30 September 2007: HK\$257 million) on additions to property, plant and equipment.

As at 30 September 2008, the Group had capital commitments of approximately HK\$97 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 2008, no significant assets were pledged (31 March 2008: approximately HK\$133 million).

Employee Information

As at 30 September 2008, total number of employees of the Group were approximately 230 in Hong Kong and Macau, approximately 5 in the United States and Canada, approximately 530 in Jordan, approximately 1,220 in Indonesia and approximately 8,060 in the PRC. 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.



Other Disclosures

INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend for the year ending 31 March 2009 (2008: HK8.0 cents).

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 September 2008, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	107,260,000 ordinary shares of HK\$0.01 each of the Company ("Shares") (L) (Note 2)	-	15.9%
	The Company	Beneficial owner	9,160,000 Shares (L)	-	1.4%
	The Company	Beneficial owner	-	1,500,000 Shares (L) (Note 4)	0.2%
	Victory City Company Limited (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	-	50%
	Victory City Overseas Limited (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	-	39.4%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
Chen Tien Tui	The Company	Founder of a trust	107,260,000 Shares (L) (Note 3)	–	15.9%
	The Company	Beneficial owner	10,258,641 Shares (L)	–	1.5%
	The Company	Beneficial owner	–	1,500,000 Shares (L) (Note 4)	0.2%
	Victory City Company Limited (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
Choi Lin Hung	The Company	Beneficial owner	3,320,000 Shares (L)	–	0.5%
	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	1.3%
	Victory City Overseas Limited (Note 15)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	–	21.2%
	Ford Glory Holdings Limited (Note 15)	Interest of controlled corporation	49 shares of US\$1.00 each (L) (Note 6)	–	49%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying share capital of the Company/ shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	CSG Apparel Inc. (Note 15)	Interest of controlled corporation	One common stock of CAD1.00 (L) (Note 7)	–	100%
	Ford Glory International Limited (Note 15)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 13)	–	100%
	Glory Time Limited (Note 15)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 11)	–	70%
	Mayer Apparel Limited (Note 15)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 10)	–	51%
	PT Victory Apparel Semarang (Note 15)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) (Note 9)	–	100%
	Surefaith Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	–	100%
	Top Star Limited (Note 15)	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) (Note 13)	–	100%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying share capital of the Company/ shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Top Value Inc. (Note 15)	Interest of controlled corporation	200 common shares of no par value (L) (Note 12)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 15)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 14)	–	100%
	Victory Apparel Jordan Manufacturing Ltd. (Note 15)	Interest of controlled corporation	50,000 ordinary shares of JD\$1.00 each (L) (Note 8)	–	100%
	Wealth Choice Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	–	100%
	福之源貿易（上海）有限公司 (Note 15)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 7)	–	100%
	Gojifashion Inc. (Note 16)	Interest of controlled corporation	100 common shares of no par value (L) (Note 12)	–	50%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	1.3%
So Kam Wah	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	1.3%
Phaisalakani Vichai	The Company	Beneficial owner	240,000 Shares (L)	–	0.04%

Notes:

1. The letter "L" represents the Director's interests in the share and underlying shares of the Company or its associated corporations.
2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family.
3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family.
4. On 9 October 2003, each of Messrs. Li Ming Hung and Chen Tien Tui was granted 500,000 options under the option scheme of the Company to subscribe for 500,000 Shares, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011.

On 7 June 2004, Messrs. Li Ming Hung and Chen Tien Tui were granted options under the share option scheme of the Company to subscribe for 1,000,000 Shares and 1,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011.
5. On 23 May 2003, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted 1,500,000, 1,500,000 and 3,300,000 options respectively under the share option scheme of the Company to subscribe for 1,500,000 shares, 1,500,000 Shares and 3,300,000 Shares respectively, exercisable at a price of HK\$2.35 per Share during a period from 27 May 2003 to 29 November 2011.

On 9 October 2003, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 3,500,000 shares, 3,500,000 shares and 1,700,000 shares, respectively, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011.

On 7 June 2004, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 4,000,000 Shares, 4,000,000 Shares and 4,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011.
6. These shares, representing 49% of the issued share capital of Ford Glory Holdings Limited, were held by Merlotte Enterprise Limited which is wholly owned by Mr. Choi Lin Hung.
7. This common stock or, as the case may be, registered capital was beneficially owned by Ford Glory International Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

8. These shares was beneficially owned by Wealth Choice Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
9. These shares was beneficially owned by Surefaith Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
10. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.
11. Glory Time Limited is 70% owned by Ford Glory Holdings Limited.
12. These common shares were beneficially owned by Ford Glory Holdings Limited.
13. These shares were beneficially owned by Ford Glory Holdings Limited.
14. This quota capital was beneficially owned by Ford Glory Holdings Limited.
15. These companies are subsidiaries of the Company.
16. This company is an associated corporation (within the meaning of Part XV of the SFO) of the Company.

Save as disclosed above in this report, as at 30 September 2008, none of the Directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

DISCLOSEABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiring by the Directors, the following persons (other than Directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Pearl Garden Pacific Limited	107,260,000 (L)	Beneficial owner (Note 2)	15.9%
Cornice Worldwide Limited	107,260,000 (L)	Interest of controlled corporation (Note 2)	15.9%
Madian Star Limited	107,260,000 (L)	Beneficial owner (Note 3)	15.9%
Yonice Limited	107,260,000 (L)	Interest of controlled corporation (Note 3)	15.9%
Trustcorp Limited	214,520,000 (L)	Trustee (Notes 2, 3 & 4)	31.8%
Newcorp Ltd.	214,520,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	31.8%
Newcorp Holdings Ltd.	214,520,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	31.8%
David Henry Christopher Hill	214,520,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	31.8%
David William Roberts	214,520,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	31.8%

Name of person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Rebecca Ann Hill	214,520,000 (L)	Interest of spouse (Notes 2, 3, 4 & 5)	31.8%
Ho Yuen Mui, Shirley	117,920,000 (L)	Interest of spouse (Note 6)	17.5%
Or Kwai Ying	119,018,641 (L)	Interest of spouse (Note 7)	17.6%
Templeton Asset Management Limited	88,212,381 (L)	Investment manager	13.1%
Sansar Capital Special Opportunity Master Fund, LP	65,169,000 (L)	Beneficial owner (Note 8)	9.6%

Notes:

1. The letter "L" represents the person's interests in the Shares and underlying Shares.
2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Li Ming Hung's family. Mr. Chen Tien Tui is a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited.
3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Chen Tien Tui's family. Mr. Li Ming Hung is a director of Madian Star Limited and Yonice Limited.
4. Trustcorp Limited is wholly owned by Newcorp Ltd. which is in turn wholly owned by Newcorp Holdings Ltd. Newcorp Holdings Ltd is owned as to 35% by David Henry Christopher Hill, as to 35% by David William Roberts and as to 30% by Michael J. Kenney-Herbert.
5. Rebecca Ann Hill is the wife of David Henry Christopher Hill.
6. Ho Yuen Mui, Shirley is the wife of Li Ming Hung.
7. Or Kwai Ying is the wife of Chen Tien Tui.
8. These Shares were held by Sansar Capital Special Opportunity Master Fund, LP. To the best knowledge of the Company, Sansar Capital Management, LLC was interested in such Shares as investment manager.

Save as disclosed above, so far as is known to the Directors, as at 30 September 2008, there was no person (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares and/or underlying Shares in the Company (including interest in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

Pursuant to ordinary resolutions passed at the special general meeting of the Company held on 30 November 2001, the share option scheme adopted by the Company pursuant to an ordinary resolution passed at the special general meeting held on 22 April 1996 was terminated and the existing share option scheme ("Scheme") of the Company was adopted.

Details of the options to subscribe for shares of the Company granted under the Scheme for the period under review are as follows:

Class of grantee	Date of grant	Number of underlying shares in the Company				Outstanding as at 1 April 2008	Outstanding as at 30 September 2008	Exercise price per share (HK\$)	Exercise period
		Granted	Exercised	Cancelled	Lapsed				
Directors (Note 1)	27/05/2003	-	-	-	-	6,300,000	6,300,000	2.35	27/05/2003 to 29/11/2011
	20/10/2003	-	-	-	-	9,700,000	9,700,000	3.04	09/10/2004 to 29/11/2011
	07/06/2004	-	-	-	-	14,000,000	14,000,000	3.15	07/06/2004 to 29/11/2011
Other employees (Note 2)	27/05/2003	-	-	-	-	23,100,000	23,100,000	2.35	27/05/2003 to 29/11/2011
	20/10/2003	-	-	-	-	38,500,000	38,500,000	3.04	09/10/2004 to 29/11/2011
	07/06/2004	-	-	-	-	39,100,000	39,100,000	3.15	07/06/2004 to 29/11/2011

Notes:

1. Details of options granted to each of the Directors are set out in the paragraph headed "Directors' and chief executive's interest in shares and underlying shares" in this report above.
2. Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Cap.57 of the Laws of Hong Kong).

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

During the period under review, the Company repurchased 316,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate price of HK\$506,200. 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 2008 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

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 2008.

AUDIT COMMITTEE

The board of directors of the Company has established an audit committee (“Committee”) with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Committee are to review the Group’s financial reporting process, internal control system and the Group’s financial statements.

The Committee comprises the three independent non-executive directors of the Company in compliance with the Listing Rules.

The Committee has reviewed the unaudited financial statements of the Group for the six months ended 30 September 2008 and is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

By Order of the Board of Directors of
Victory City International Holdings Limited

Li Ming Hung
Chairman

Hong Kong, 23 December 2008





VICTORY CITY
INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司

