VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 0539)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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 2005. The interim results have been reviewed by the Company's auditors in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim results have also been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

		Six months ended 30 September	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited and restated)
Turnover	*4*	**1,421,345**	1,284,432
Cost of sales		**(1,144,731)**	(1,054,536)
Gross profit		**276,614**	229,896
Other operating income		**13,017**	5,540
Gain arising from changes in fair value of investment properties		**4,567**	–
Distribution costs		**(44,593)**	(42,757)
Administrative expenses		**(89,291)**	(66,193)
Amortisation of goodwill		**–**	(323)
Profit from operations	*5*	**160,314**	126,163
Finance costs		**(13,659)**	(5,726)
Profit before taxation		**146,655**	120,437
Taxation	*6*	**(10,192)**	(6,406)
Profit for the period		**136,463**	114,031
Attributable to:			
Equity holders of the parent		**122,390**	103,131
Minority shareholders		**14,073**	10,900
		136,463	114,031
Distributions	*7*	**37,331**	30,932
Earnings per share	*8*		
Basic		**21.6 cents**	18.5 cents
Diluted		**21.6 cents**	18.2 cents

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 September 2005

	Notes	30 September 2005 HK$'000 (unaudited)	31 March 2005 HK$'000 (audited and restated)
Non-current assets			
Property, plant and equipment		**1,164,140**	1,006,523
Investment properties		**69,940**	45,930
Goodwill		**644**	644
Prepaid lease payments		**15,376**	15,543
		1,250,100	1,068,640
Current assets			
Inventories		**757,300**	712,894
Trade receivables	*9*	**620,011**	454,070
Deposits, prepayments and other receivables		**86,344**	121,484
Prepaid lease payments		**335**	335
Derivatives financial instruments		**3,534**	–
Bank balances and cash		**212,835**	225,833
		1,680,359	1,514,616
Current liabilities			
Trade payables	*10*	**350,791**	352,647
Other payables		**52,911**	52,596
Dividend payable		**66**	72
Taxation payable		**25,965**	18,580
Derivatives financial instruments		**720**	–
Obligations under finance leases – amount due within one year		**4,488**	5,265
Bank borrowings – amount due within one year		**548,231**	351,785
		983,172	780,945
Net current assets		**697,187**	733,671
		1,947,287	1,802,311
Capital and reserves			
Share capital		**5,673**	5,673
Reserves		**1,190,346**	1,069,184
Equity attributable to equity holders of the parent		**1,196,019**	1,074,857
Minority interests		**51,643**	37,570
		1,247,662	1,112,427
Non-current liabilities			
Obligations under finance leases – amount due after one year		**564**	2,601
Bank borrowings – amount due after one year		**699,061**	687,283
		699,625	689,884
		1,947,287	1,802,311

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 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(1) Business Combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations", which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and goodwill arising on acquisitions after 1 April 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of approximately HK$1,452,000 has been transferred to the Group's retained earnings on 1 April 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

(2) Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to those share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. As there were no unvested share options at 1 April 2005, there is no financial impact to the Group for the prior and current periods.

(3) Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current or prior periods. HKAS 39, which is effective for annual periods beginning on or after 1 April 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Derivatives financial instruments

From 1 April 2005 onwards, all derivatives financial instruments that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date. Under HKAS 39, derivatives financial instruments are deemed as held-for-trading financial assets or financial liabilities. Changes in fair values of such derivatives financial instruments are recognised in profit or loss for the period in which they arise. Net gain arising from changes in fair value of derivatives financial instruments of approximately HK$3,444,000 has been recognised in profit and loss for the period.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 April 2005. As a result, the Group's bill receivables discounted and factoring financing facilities with full recourse which were derecognised prior to 1 April 2005 have not been restated. As at 30 September 2005, the Group's bills receivables discounted with full recourse and factoring financing facilities utilised with full recourse have not been derecognised. Instead, the related borrowings of approximately HK$113,181,000 as at 30 September, 2005 have been recognised on the balance sheet date. This change has had no material effect on the results for the current period.

(4) Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

(5) Investment Properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 April 2005 onwards. The amount held in investment property revaluation reserve at 1 April 2005 of approximately HK$2,657,000 has been transferred to the Group's accumulated profits (see Note 3 for the financial impact).

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

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommission, Restoration and Environmental Rehabilitation Funds
HK (IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows:

	Effect of	Six months ended 30 September 2005 HK$'000	30 September 2004 HK$'000
Decrease in amortisation of goodwill	HKFRS 3	**323**	–
Decrease in depreciation	HKAS 17	**167**	167
Net gain arising from changes in fair value of derivatives financial instruments measured at fair value through profit or loss	HKAS 39	**3,444**	–
Gain arising from changes in fair value of investment properties	HKAS 40	**4,567**	–
		8,501	167

The effect of the application of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (original stated) HK$'000	Effect of HKAS 17 HK$'000	As at 31 March 2005 (restated) HK$'000	Effect of HKAS 39 HK$'000	Effect of HKAS 40 HK$'000	Effect of HKFRS 3 HK$'000	As at 1 April 2005 (restated) HK$'000
Balance sheet items							
Property, plant and equipment	1,021,537	(15,014)	1,006,523	–	–	–	1,006,523
Prepaid lease payments	–	15,878	15,878	–	–	–	15,878
Derivative financial instruments							
– assets	–	–	–	765	–	–	765
– liabilities	–	–	–	(1,394)	–	–	(1,394)
Total effect on assets and liabilities	1,021,537	864	1,022,401	(629)	–	–	1,021,772
Accumulated profits	484,506	864	485,370	(629)	2,657	(1,452)	485,946
Investment property revaluation reserve	2,657	–	2,657	–	(2,657)	–	–
Goodwill reserve	(1,452)	–	(1,452)	–	–	1,452	–
Total effect on equity	485,711	864	486,575	(629)	–	–	485,946

The financial effects of the application of the new HKFRS to the Group's equity at 1 April 2004 are summarised below:

	As originally stated HK$'000	Effect of HKAS 17 HK$'000	As restated HK$'000
Accumulated profits and total effect on equity	342,983	530	343,513

4. 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) trading of garment products and provision of quality inspection services. 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 2005

	Production and sale of knitted fabric and dyed yarn and related subcontracting services *HK$'000*	**Trading of garment products and provision of quality inspection services** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER			
External sales	**942,617**	**478,728**	**1,421,345**
RESULT			
Segment result	**128,515**	**31,245**	**159,760**
Unallocated corporate income			**5,998**
Unallocated corporate expenses			**(5,444)**
Profit from operations			**160,314**

Six months ended 30 September 2004

	Production and sale of knitted fabric and dyed yarn and related subcontracting services *HK$'000*	Trading of garment products and provision of quality inspection services *HK$'000*	Consolidated *HK$'000* *(Restated)*
TURNOVER			
External sales	910,618	373,814	1,284,432
RESULT			
Segment result	107,189	24,136	131,325
Unallocated corporate income			297
Unallocated corporate expenses			(5,459)
Profit from operations			126,163

5. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2005 *HK$'000*	2004 *HK$'000* (Restated)
Profit from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**44,669**	31,143
Impairment loss recognised on property, plant and equipment	**–**	1,000
Net gain arising from changes in fair value of derivatives financial instruments	**3,443**	–
Interest income	**(471)**	(22)

6. TAXATION

	Six months ended 30 September **2005** *HK$'000*	2004 *HK$'000*
The tax charge comprises:		
Current tax:		
Hong Kong	**4,862**	5,265
Other jurisdictions	**5,330**	1,141
Taxation attributable to the Company and its subsidiaries	**10,192**	6,406

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

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

7. DISTRIBUTIONS

The directors have determined that an interim dividend of HK6.5 cents (2005: HK5.5 cents) per share, which is in cash form with a scrip dividend option, should be paid to shareholders of the Company whose names appeared in the Company's Register of Members on 6 January 2006.

8. EARNINGS PER SHARE

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

	Six months ended 30 September **2005** *HK$'000*	2004 *HK$'000* (Restated)
Earnings		
Profit for the period attributable to equity holders of the parent for the purposes of basic and diluted earnings per share	**122,390**	103,131
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**567,272**	558,225
Effect of dilutive potential ordinary shares in respect of share options	**529**	7,850
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**567,801**	566,075

9. 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 2005 *HK$'000*	31 March 2005 *HK$'000*
0-60 days	**412,177**	309,672
61-90 days	**105,912**	60,673
91-120 days	**52,357**	37,035
Over 120 days	**49,565**	46,690
	620,011	454,070

10. **TRADE PAYABLES**

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

	30 September 2005	31 March 2005
0-60 days	**252,133**	319,293
61-90 days	**53,119**	17,257
Over 90 days	**45,539**	16,097
	350,791	352,647

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK6.5 cents (2005: HK5.5 cents) per share of the Company for the year ending 31 March 2006. The interim dividend will be payable on or about 23 February 2006 to shareholders whose names appear on the register of members of the Company on 6 January 2006 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 including the increase in fuel and finance costs, trade disputes between China and the United States and European countries and pressures on general expenses exerted by Renminbi appreciation, operating conditions were tough for the textile and garment industry in the first half of the financial year. Against such a backdrop, the Group managed to persevere and attained satisfactory results during the period. For the six months ended 30 September 2005, the Group's total turnover was HK$1.42 billion, representing an increase of 11% on the level of HK$1.28 billion for the same period last year. Net profit for the period rose by 19% to HK$122 million. Basic earnings per share increased from 18.5 cents to 21.6 cents for the period under review.

In line with our uninterrupted growth in both turnover and net profit for the past years, the Group continued to build on the foundations made during the previous years to record further improvement in turnover and profits. The significant growth was primarily attributable to the strengthening of the Group's core business of production and sales of knitted fabric and dyed yarn to both worldwide and domestic China markets, and the strong sales growth in garment trading business. Tightened cost control, enhanced productivity, selection of niche markets, and improved quality and efficiency contributed to the profit growth. Gross profit margin for the Group increased from 17.9% to 19.5% whereas net profit margin increased from 8.0% to 8.6%. It is envisaged that the growth momentum will be sustained in the second half of the financial year.

The garment trading business also achieved satisfactory performance during the period under review. Turnover of this segment which accounted for 34% of the total turnover, achieved a 28% growth to HK$479 million. Despite the trade disputes and uncertainties arising from the abolition of garment quotas in 2005, our garment trading arm has been well-prepared for these challenges and continued to diversify clientele base as well as product ranges. It is expected that this segment will contribute to both turnover and profit growth for the Group.

To play a pro-active role and to further enhance our competitiveness in the worldwide textile and garment supply chain, the Group has been setting up garment manufacturing facilities strategically in China and other selected offshore countries within this financial year. The Directors have great confidence that this new business segment will play a significant role in our corporate development in the coming years.

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 expect 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, to further enhance its production efficiency and effectiveness as well as to diversify into selected niche markets, all of which are keys to our continual success. Looking ahead, we will strive to sustain profitability, bearing in mind our commitment of bringing high returns to our shareholders.

There has been no important event affecting the Group which occurred since 30 September 2005.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2005, the Group had total assets of HK$2,930,459,000 (31 March 2005: HK$2,583,256,000) which were financed by current liabilities of HK$983,172,000 (31 March 2005: HK$780,945,000), long term liabilities of HK$699,625,000 (31 March 2005: HK$689,884,000) and shareholders' equity of HK$1,196,019,000 (31 March 2005: HK$1,074,857,000) The current ratio was approximately 1.7 (31 March 2005: 1.9) and the gearing ratio, being the ratio of total borrowings (net of bank balances and cash) to shareholders' funds was 77% (31 March 2005: 76%). 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.

Exposure to Fluctuation in Foreign Exchange

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Chinese Renminbi and US dollars. Inasmuch as the Hong Kong dollars is pegged to the US dollars, and that there has been minimal fluctuation in exchange rate between Hong Kong dollars and Chinese Renminbi, the Group's exposure to currency exchange risk was minimal.

Capital Expenditure

During the period, the Group invested approximately HK$203 million in property, plant and equipment, of which 16% was used for purchase of plant and machinery, 29% for construction of coal-fired facility for producing steam and electricity and 51% for acquisition of property and construction of new factory plants.

As at 30 September 2005, the Group had capital commitments of approximately HK$22 million in respect of acquisition of property, plant and equipment, which are financed by long-term bank borrowings.

Charges on Assets

As at 30 September 2005, investment properties and certain property, equipment, plant and machinery of the Group with net book value of approximately HK$81 million (31 March 2005: approximately HK$57 million) were pledged to banks to secure banking facilities granted.

Contingent Liabilities

The Group has no contingent liabilities as at 30 September 2005 (31 March 2005: HK$189,673,000).

Employee Information

As at 30 September 2005, total number of employees of the Group were approximately 270 in Hong Kong, approximately 10 in USA and Canada and approximately 4,400 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

The register of members of the Company will be closed from 3 January 2006 to 6 January 2006 both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with Company's branch share registrars in Hong Kong, Secretaries Limited of Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 30 December 2005.

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

During the six months ended 30 September 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the six months ended 30 September 2005 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, except for (i) code provision A.2.1 which stipulates that the roles of the chairman of the board of Directors and the chief executive officer of the Group should be separate and should not be performed by the same individual, (ii) B.1.1 which stipulates that the Company should establish a remuneration committee with specific written terms of reference, and (iii) C.3.3. which stipulates certain duties that should be included in the terms of reference of the audit committee of the Company. As at 30 September 2005, the above code provisions had been complied with by the Company.

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 2005.

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

Hong Kong, 16 December 2005

As at the date of this announcement, the board of directors of the Company comprises the following members:

Executive Directors:
Li Ming Hung *(Chairman)*
Chen Tien Tui *(Managing Director)*
So Kam Wah
Lee Yuen Chiu, Andy
Choi Lin Hung

Independent Non-Executive Directors:
Kan Ka Hon
Phaisalakani Vichai (Andy Hung)
Lau Chung Kwan

* *for identification purposes only*

Please also refer to the published version of this announcement in The Standard.