

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



Contents

	PAGE(S)
CORPORATE INFORMATION	2
CONDENSED CONSOLIDATED INCOME STATEMENT	3
CONDENSED CONSOLIDATED BALANCE SHEET	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	8
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	9
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	21
BUSINESS REVIEW AND PROSPECTS	22
OTHER DISCLOSURES	25

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

Auditors

Deloitte Touche Tohmatsu

Major Bankers

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

Principal Share Registrars

Butterfield Fund Services (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
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 2007

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

Condensed Consolidated Balance Sheet

AT 30 SEPTEMBER 2007

	Notes	30 September 2007 HK\$'000 (unaudited)	31 March 2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	2,092,188	1,880,762
Prepaid lease payments		24,220	23,979
Investment properties	9	233,350	233,080
Goodwill		6,185	6,185
Interest in a jointly controlled entity		531	338
		2,356,474	2,144,344
Current assets			
Inventories		1,237,550	1,218,404
Trade receivables	10	994,931	957,011
Deposits, prepayments and other receivables		143,636	128,751
Prepaid lease payments		572	670
Derivative financial instruments		10,842	1,649
Bank balances and cash		209,514	204,563
		2,597,045	2,511,048
Current liabilities			
Trade payables	11	524,325	539,794
Other payables		73,213	101,687
Dividend payable		45,056	276
Taxation payable		71,941	54,023
Bank borrowings – amount due within one year	12	904,859	788,483
Structured borrowings	13	16,930	18,832
Derivative financial instruments		–	25
		1,636,324	1,503,120
Net current assets		960,721	1,007,928
		3,317,195	3,152,272

Condensed Consolidated Balance Sheet

		30 September 2007 HK\$'000 (unaudited)	31 March 2007 HK\$'000 (audited)
	Notes		
Capital and reserves			
Share capital		6,589	6,609
Reserves		2,082,084	1,915,803
Equity attributable to equity holders of the Company		2,088,673	1,922,412
Minority interests		111,546	90,378
		2,200,219	2,012,790
Non-current liabilities			
Bank borrowings – amount due after one year	12	1,037,151	1,055,240
Structured borrowings	13	67,720	75,328
Deferred tax liabilities		12,105	8,914
		1,116,976	1,139,482
		3,317,195	3,152,272

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Attributable to equity holders of the Company							Minority interests	Total
	Share capital	Share premium	Capital reserve	Translation reserve	Dividend reserve	Accumulated profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
As 1 April 2006	6,436	675,836	76,229	93,531	38,616	656,514	1,547,162	55,525	1,602,687
Exchange difference on translation of operations outside Hong Kong recognised directly in equity	-	-	-	(421)	-	-	(421)	-	(421)
Profit for the period	-	-	-	-	-	156,367	156,367	18,648	175,015
Total recognised income and expense for the period	-	-	-	(421)	-	156,367	155,946	18,648	174,594
2006 final dividend approved but not yet paid	-	-	-	-	(38,616)	-	(38,616)	-	(38,616)
At 30 September 2006	6,436	675,836	76,229	93,110	-	812,881	1,664,492	74,173	1,738,665
Exchange difference on translation of operations outside Hong Kong recognised directly in equity	-	-	-	110,570	-	-	110,570	-	110,570
Profit for the period	-	-	-	-	-	149,134	149,134	20,641	169,775
Total recognised income for the period	-	-	-	110,570	-	149,134	259,704	20,641	280,345
Interim dividend proposed	-	-	-	-	46,919	(46,919)	-	-	-
Issue of shares under scrip dividend scheme for 2006 final dividend and 2007 interim dividend	173	44,962	-	-	(45,135)	-	-	-	-
Dividend paid	-	-	-	-	(1,784)	-	(1,784)	-	(1,784)
Final dividend proposed	-	-	-	-	45,032	(45,032)	-	-	-
Dividend paid to minority interests	-	-	-	-	-	-	-	(9,065)	(9,065)
Capital contribution by a minority shareholder	-	-	-	-	-	-	-	4,629	4,629
At 31 March 2007	6,609	720,798	76,229	203,680	45,032	870,064	1,922,412	90,378	2,012,790

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company							Minority interests	Total
	Share capital	Share premium	Capital reserve	Translation reserve	Dividend reserve	Accumulated profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Exchange difference on translation of operations outside Hong Kong 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 for the period	-	-	-	40,916	-	174,750	215,666	21,168	236,834
Exercise of share options	13	4,016	-	-	-	-	4,029	-	4,029
2007 final dividend approved but not yet paid	-	-	-	-	(45,032)	-	(45,032)	-	(45,032)
Shares repurchased	(33)	(8,369)	-	-	-	-	(8,402)	-	(8,402)
At 30 September 2007	6,589	716,445	76,229	244,596	-	1,044,814	2,088,673	111,546	2,200,219

Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Six months ended 30 September	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Net cash from (used in) operating activities	172,525	(144,815)
Net cash used in investing activities:		
Purchase of property, plant and equipment	(256,727)	(188,680)
Purchase of investment properties	–	(25,000)
Deposits paid for acquisition of investment properties	–	(8,718)
Other investing cash flows	4,072	6,378
	(252,655)	(216,020)
Net cash from financing activities:		
New bank loans raised	88,600	168,373
Net proceeds from bills discounted with recourse, debts factored with recourse, import loans and trust receipt received	50,521	205,912
Repayment of bank loans	(49,414)	(133,940)
Other financing cash flows	(4,626)	(2,053)
	85,081	238,292
Net increase (decrease) in cash and cash equivalents	4,951	(122,543)
Cash and cash equivalents at beginning of the period	204,563	370,762
Cash and cash equivalents at end of the period	209,514	248,219

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

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 and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

3. SEGMENT INFORMATION

Business segments

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

Segment information about these businesses is presented below:

Six months ended 30 September 2007

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Six months ended 30 September 2006

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

4. INCOME TAX EXPENSE

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

5. PROFIT FOR THE PERIOD

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

6. DISTRIBUTIONS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Earnings		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	174,750	156,367

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	661,667	643,601
Effect of dilutive potential ordinary shares in respect of share options	6,626	2,289
Weighted average number of ordinary shares for the purposes of diluted earnings per share	668,293	645,890

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

9. MOVEMENTS IN INVESTMENT PROPERTIES

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

10. TRADE RECEIVABLES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

11. TRADE PAYABLES

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

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

12. BANK BORROWINGS

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Bank loans	1,238,146	1,183,084
Bills discounted with recourse and debts factored with recourse	265,421	200,030
Import loans and trust receipts loans	380,335	395,205
Mortgage loans	58,108	65,404
	1,942,010	1,843,723
Less: Amount due within one year included in current liabilities	(904,859)	(788,483)
Amount due after one year	1,037,151	1,055,240

During the period, the Group obtained new loans in the amount of approximately HK\$88,600,000 (six months ended 30 September 2006: HK\$168,373,000). The Group repaid bank loans in the amount of approximately HK\$40,834,000 for the period (six months ended 30 September 2006: HK\$133,940,000). The loans carry interest at market rates ranging from 4.55% to 5.45% per annum. The proceeds were used for the expansion of the Group's operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

13. STRUCTURED BORROWINGS

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Structured borrowings at fair value classified as:		
Current (<i>note i and ii</i>)	16,930	18,832
Non-current (<i>note i</i>)	67,720	75,328
	84,650	94,160

Notes:

- (i) The structured borrowing contains embedded derivatives which are not closely related to the host contract, hence the entire combined contract was designated as at fair value through profit or loss upon initial recognition.
- (ii) The current portion represents the minimum amount repayable to the bank within one year.

During the period, the Group repaid structured borrowings in the amount of approximately HK\$8,580,000 for the period (six months ended 30 September 2006: nil). Both structured borrowings are measured at fair value and the change in their fair value of HK\$930,000 (six months ended 30 September 2006: nil) has been credited to the condensed consolidated income statement.

14. CAPITAL COMMITMENTS

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
At the balance sheet date, the Group had capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	48,380	53,810

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

15. RELATED PARTY DISCLOSURES

- (i) During the period, the Group paid operating lease rentals amounting to approximately HK\$54,000 (six months ended 30 September 2006: 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 9 September 2005, the Group entered into a 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”). 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, a director of the Company. Pursuant to the Master Supply Agreement, Nanjing Synergy agreed to supply yarn to the Group and the purchase during the period was approximately HK\$159,755,000 (six months ended 30 September 2006: HK\$58,041,000). As at 30 September 2007, the aggregate amount of purchase deposits placed by the Group in Nanjing Synergy was approximately HK\$100,537,000 (31 March 2007: HK\$63,872,000) which were included in deposits, prepayments and other receivables.
- (iii) During the period, 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\$23,672,000 (six months ended 30 September 2006: nil). As at 30 September 2007, the trade balance payable to Kimberly was approximately HK\$503,000 (31 March 2007: Nil) which were included in trade payables.
- (iv) At 30 September 2007, 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.

The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK\$339 million in aggregate as at 30 September 2007 (31 March 2007: HK\$339 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

16. EVENTS AFTER THE BALANCE SHEET DATE

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

- (i) On 18 October 2007, the Company paid the 2007 final dividend by way of cash and scrip of HK\$23,983,000 and HK\$21,003,000, respectively.
- (ii) Subsequent to 30 September 2007, the Group disposed a building unit and all investment properties situated at Lee Hang Industrial Building, 10 Cheung Yue Street, Kowloon, Hong Kong for an aggregate consideration of approximately HK\$238,000,000, in a result of a gain on disposal of approximately HK\$1,000,000.

Report on Review of Interim Financial Information

Deloitte.

德勤

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 20, which comprises the condensed consolidated balance sheet of Victory City International Holdings Limited as of 30 September 2007 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 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, 19 December 2007

Business Review and Prospects

Surrounded by unfavourable factors such as increase in fuel costs and labour costs, stringent environmental protection measures and pressure on general expenses exerted by Renminbi appreciation, the operation environment were tough for the textile and garment industry in the first half of the financial year. At the same time, the impact of the subprime crisis and uncertainties in the US economy have adversely affected the consumer confidence. Purchase orders for both textile and garment products began to slow down since August 2007. Against such a backdrop, the Group managed to persevere and attained satisfactory results during the period under review. For the six months ended 30 September 2007, the Group's total revenue was HK\$2.17 billion, representing an increase of 19% on the level of HK\$1.82 billion for the same period last year. Profit attributable to shareholders of the Company rose by 12% to HK\$174.8 million. Basic earnings per share increased from HK\$24.3 cents to HK\$26.4 cents for the period under review.

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

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



Business Review and Prospects

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

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

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2007, the Group had total assets of HK\$4,953,519,000 (31 March 2007: HK\$4,655,392,000) which were financed by current liabilities of HK\$1,636,324,000 (31 March 2007: HK\$1,503,120,000), long term liabilities of HK\$1,116,976,000 (31 March 2007: HK\$1,139,482,000) and shareholders' equity of HK\$2,088,673,000 (31 March 2007: HK\$1,922,412,000). The current ratio was approximately 1.6 (31 March 2007: 1.7) and the gearing ratio, being the ratio of total borrowings (excluding bills discounted and debts factored, and net of bank balances and cash) to shareholders' funds was 74% (31 March 2007: 80%). All of the Group's borrowings were at floating rate basis.

The Group services its debts primarily through cash earned from its operations. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion. Should other opportunities arise requiring additional funding, the Directors believe that the Group is in a good position to obtain financing on favourable terms.

Foreign Exchange and Interest Rate Risks

The Group continued to adopt a strict and prudent policy in managing its interest rate and currency exchange risks. The major interest-bearing bank borrowings of the Group were HIBOR based Hong Kong dollar borrowings with maturity due within five years. To reduce the interest rate risks, the Group had entered into derivative financial instrument contracts with international banks.



Business Review and Prospects

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Chinese Renminbi and US dollars. The fluctuations in the US dollars and Renminbi have always been the concern of the Group. In order to mitigate the foreign currency risk, the Group will enter into appropriate hedging arrangements in accordance with the Group's risk management policies.

Capital Expenditure

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

As at 30 September 2007, the Group had capital commitments of approximately HK\$48 million in respect of acquisition of new machinery and construction of new factory plants, which are financed by long-term bank borrowings.

Charges on Assets

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

Employee Information

As at 30 September 2007, total number of employees of the Group were approximately 250 in Hong Kong and Macau, approximately 10 in the United States and Canada, approximately 940 in Jordan, approximately 1,400 in Indonesia and approximately 7,600 in the People's Republic of China. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide senior management with an appropriate incentive interest in the growth of the Group.



Other Disclosures

INTERIM DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the year ending 31 March 2008, the register of members of the Company will be



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

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

As at 30 September 2007, 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



Other Disclosures



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	100,640,000 ordinary shares of HK\$0.01 each of the Company ("Shares") (L) (Note 2)	-	15.3%
	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%

Other Disclosures

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares <i>(Note 1)</i>	Interest in underlying shares of share options <i>(Note 1)</i>	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
Chen Tien Tui	The Company	Founder of a trust	100,640,000 Shares (L) <i>(Note 3)</i>	–	15.3%
	The Company	Beneficial owner	10,246,000 Shares (L)	–	1.6%
	The Company	Beneficial owner	–	1,500,000 Shares (L) <i>(Note 4)</i>	0.2%
	Victory City Company Limited <i>(Note 15)</i>	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	50%
	Victory City Overseas Limited <i>(Note 15)</i>	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	39.4%
Choi Lin Hung	The Company	Beneficial owner	3,228,000 Shares (L)	–	0.5%
	The Company	Beneficial owner	–	9,000,000 Shares (L) <i>(Note 5)</i>	1.4%
	Victory City Overseas Limited <i>(Note 15)</i>	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	–	21.2%
	Ford Glory Holdings Limited <i>(Note 15)</i>	Interest of controlled corporation	49 shares of US\$1.00 each (L) <i>(Note 6)</i>	–	49%

Other Disclosures

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares <i>(Note 1)</i>	Interest in underlying shares of share options <i>(Note 1)</i>	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	CSG Apparel Inc. <i>(Note 15)</i>	Interest of controlled corporation	One common stock of CAD1.00 (L) <i>(Note 7)</i>	–	100%
	Ford Glory International Limited <i>(Note 15)</i>	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) <i>(Note 13)</i>	–	100%
	Glory Time Limited <i>(Note 15)</i>	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) <i>(Note 10)</i>	–	70%
	Mayer Apparel Limited <i>(Notes 11 & 15)</i>	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L)	–	51%
	PT Victory Apparel Semarang <i>(Note 15)</i>	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) <i>(Note 9)</i>	–	100%
	Silver Success Limited <i>(Note 15)</i>	Interest of controlled corporation	90 ordinary shares of HK\$1.00 each (L) <i>(Note 10)</i>	–	90%
	Surefaith Limited <i>(Note 15)</i>	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) <i>(Note 13)</i>	–	100%
	Top Star Limited <i>(Note 15)</i>	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) <i>(Note 13)</i>	–	100%

Other Disclosures

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
	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)	1.4%
So Kam Wah	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	1.4%
Phaisalakani Vichai	The Company	Beneficial owner	208,000 Shares (L)	–	0.03%

Other Disclosures

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 Yonic 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.
6. 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. Silver Success Limited is 90% owned by Glory Time Limited which is in turn 70% owned by Ford Glory Holdings Limited.
 11. Mayer Apparel Limited is 51% 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 2007, 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.

Other Disclosures

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

As at 30 September 2007, 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	100,640,000 (L)	Beneficial owner (Note 2)	15.27%
Cornice Worldwide Limited	100,640,000 (L)	Interest of controlled corporation (Note 2)	15.27%
Madian Star Limited	100,640,000 (L)	Beneficial owner (Note 3)	15.27%
Yonice Limited	100,640,000 (L)	Interest of controlled corporation (Note 3)	15.27%
Trustcorp Limited	201,280,000 (L)	Trustee (Notes 2, 3 & 4)	30.54%
Newcorp Ltd.	201,280,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	30.54%
Newcorp Holdings Ltd.	201,280,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	30.54%
David Henry Christopher Hill	201,280,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	30.54%
David William Roberts	201,280,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	30.54%

Other Disclosures

Name of person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Rebecca Ann Hill	201,280,000 (L)	Interest of spouse (Notes 2, 3, 4 & 5)	30.54%
Ho Yuen Mui, Shirley	111,300,000 (L)	Interest of spouse (Note 6)	16.89%
Or Kwai Ying	112,386,000 (L)	Interest of spouse (Note 7)	17.05%
Templeton Asset Management Limited	72,550,065 (L)	Investment manager	11.01%
Sansar Capital Special Opportunity Master Fund, LP	65,169,000 (L)	Beneficial owner (Note 8)	9.89%

Notes:

- The letter "L" represents the person's interests in the Shares and underlying Shares.
 - 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.
 - 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.
 - 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.
 - Rebecca Ann Hill is the wife of David Henry Christopher Hill.
 - Ho Yuen Mui, Shirley is the wife of Li Ming Hung.
 - Or Kwai Ying is the wife of Chen Tien Tui.
 - 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 2007, 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.

Other Disclosures

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 2007	Outstanding as at 30 September 2007	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	-	600,000	-	-	39,100,000	38,500,000	3.04	09/10/2004 to 29/11/2011
	07/06/2004	-	700,000	-	-	39,800,000	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).

Other Disclosures

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

During the period under review, the Company repurchased 3,252,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate price of HK\$8,401,060. The share buyback reflected management's confidence in the future development of the Group's business. Furthermore, it also enhanced earnings per share of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the six months ended 30 September 2007 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct ("Code of Conduct") regarding Directors' securities

transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 September 2007.

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 2007 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, 19 December 2007





VICTORY CITY
INTERNATIONAL HOLDINGS LIMITED
www.victorycity.com.hk