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VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

(the “Company”)

2008 ANNUAL RESULTS

The board of directors of the Company (the “Board”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	<i>1</i>	17,600	6,585
Direct costs		<u>(16,930)</u>	<u>(6,223)</u>
Gross profit		670	362
Other income	<i>2</i>	94	3,844
Selling and distribution expenses		–	(8)
Administrative expenses		(3,643)	(3,411)
Other operating expenses		<u>–</u>	<u>(5)</u>
(Loss)/Profit from operation		(2,879)	782
Finance costs	<i>3</i>	<u>(492)</u>	<u>(1,212)</u>
Loss before taxation	<i>4</i>	(3,371)	(430)
Taxation	<i>5</i>	<u>–</u>	<u>–</u>
Net loss attributable to equity shareholders of the Company		<u>(3,371)</u>	<u>(430)</u>
Dividends	<i>6</i>	<u>–</u>	<u>–</u>
Loss per share – Basic	<i>7</i>	<u>(2.18 cents)</u>	<u>(0.28 cents)</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	2008 HK\$'000	2007 HK\$'000
Non-current assets		
Property, plant and equipment	1,891	1,943
Land lease prepayment	13,263	14,604
	<u>15,154</u>	<u>16,547</u>
Current assets		
Land lease prepayment	349	374
Trade receivable	14,088	–
Prepayments, deposits and other receivables	53	63
Cash and cash equivalents	2,838	30,096
	<u>17,328</u>	<u>30,533</u>
Current liabilities		
Trade payables	12,543	–
Other payables and accruals	2,010	1,066
Amount due to a related party	2,197	2,197
Amounts due to directors	6,474	4,595
Bank and other borrowings	15,249	41,776
	<u>38,473</u>	<u>49,634</u>
Net current liabilities	<u>(21,145)</u>	<u>(19,101)</u>
Total assets less current liabilities	<u>(5,991)</u>	<u>(2,554)</u>
Non-current liabilities		
Provision for long service payment	–	66
NET LIABILITIES	<u>(5,991)</u>	<u>(2,620)</u>
CAPITAL AND RESERVES		
Share capital	15,480	15,480
Reserves	(21,471)	(18,100)
TOTAL EQUITY	<u>(5,991)</u>	<u>(2,620)</u>

DISCLAIMER OF OPINION

The auditors of the Company do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Extracts of the disclaimer opinion from the auditor's report are reproduced below:–

“(a) Scope limitation – Prior year's audit scope limitation affecting opening balances

As detailed in auditor's report on the consolidated financial statements for the year ended 31 December 2007, we disclaimed our opinion because of the significance of the possible effects of the limitation in evidence made available to us resulting from the inability of the Directors of the Company to locate sufficient documentary information. It was explained by the Directors of the Company that due to the fact that the Directors of the Company have lost contact with the sole director of Oriental Surplus Limited (“OSL”), a wholly-own subsidiary of the Company incorporated in the British Virgin Islands, and for borrowing a loan facility of HK\$30,000,000 from a potential investor, which was secured by the entire share capital of OSL. The Directors of the Company were unable to represent that all transactions entered into by OSL for the period from 2 October 2007 to 31 December 2007 and subsequent to 31 December 2007 have been properly reflected in the books and records and in the financial statements of OSL. Accordingly, we were unable to form an opinion as to whether the net liabilities of the Group as at 31 December 2007 and the results of the Group for the year ended 31 December 2007 were fairly stated. Any adjustments to the opening balances as at 1 January 2008 would affect the net liabilities of the Group as at 31 December 2008 and the results of the Group for the year ended 31 December 2008. Also the comparative figures in respect of the net liabilities of the Group as at 31 December 2007 and the results of the Group for the year ended 31 December 2007 may not be comparable with the figures for the current year.

(b) Scope limitation – Material uncertainty relating to a subsidiary, Oriental Surplus Limited

- (i) As explained in note 2 to the financial statements, the financial statements of OSL have been prepared based on the available books and records maintained by the Company and OSL. However, due to the fact that the Directors of the Company have lost contact with the sole director of OSL since early 2008 and the lack of sufficient documentary evidence available, the Directors of the Company were unable to represent that all transactions entered into by OSL for the year ended 31 December 2008 and subsequent to the balance sheet date have been properly reflected in the books and records and in the financial statements of OSL. The Directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the treatment of various balances of the Group as at 31 December 2008.

In this context, the Directors of the Company were unable to represent as to the completeness and correctness of the financial information of OSL and all the related disclosures required by the Hong Kong Companies Ordinance, Hong Kong Financial Reporting Standards and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including but not limited to the disclosures of commitments, contingent liabilities and events after the balance sheet date included in the financial statements of the Group.

Accordingly, we have not been provided with adequate evidence to satisfy ourselves as to the completeness and accuracy of the following amounts included in the financial statements recorded by the Group and as to the reliability of the related disclosures in the financial statements.

The Group

Included in consolidated income statement

- Other income of HK\$94,000
- Directors' remuneration of HK\$288,000
- Taxation with HK\$Nil amount
- Loss attributable to equity shareholders of the Company of HK\$3,371,000

Included in consolidated balance sheet

- Cash and cash equivalents of HK\$2,838,000
- Bank and other borrowings of HK\$15,249,000

- (ii) As more fully explained in note 2 to the financial statements, the Directors of the Company were unable to provide documentary evidence in support of the ownership of the Group's interest in OSL. Accordingly, we were unable to satisfy ourselves as to the ownership of interest in OSL as at 31 December 2008.

In addition, for the same reasons stated above, we have not been able to obtain all necessary information for us to conduct a review of subsequent events from the balance sheet date up to the date of this report. Such procedures might have resulted in the identification of adjustments to the amounts reported in and/or disclosed as notes to the financial statements of the Group as at 31 December 2008.

There were no alternative audit procedures that we could adopt to satisfy ourselves as to the matters set out above. Any adjustments to the liabilities, commitments and contingent liabilities of OSL may have consequential significant effects on the Group's net liabilities as at 31 December 2008, the Group's loss for the year then ended, and on classification of such items and their related disclosures in the financial statements.

(c) Material uncertainty relating to going concern basis

The Group incurred a loss of approximately HK\$3,371,000 for the year ended 31 December 2008 and, as at 31 December 2008, the Group had net current liabilities of approximately HK\$21,145,000. In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As detailed in note 2 to the financial statements, the Group is currently undertaking a number of measures to improve its financial and current liquidity position. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group's funding plans, the ongoing support from the Group's bankers, and the attainment of profitable and positive cash flow operations of the Group to meet its future working capital and financial requirements. The financial statements do not include any adjustments that may be necessary should the implementation of such measures be unsuccessful.

We consider that appropriate disclosures have been made in the financial statements concerning this situation, but we consider that this material uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.”

IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The Group has not applied any new and revised HKFRSs, that have been issued but are not yet effective in these financial statements.

Notes:

1. Revenue

Revenue represents the invoiced value of installation services rendered, inventories sold, net of discounts and returns. During the year, the Group is principally engaged in the provision of installation services of LED screen and facade lighting; therefore, no business segments analysis of the Group is presented.

The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trading of automotive products	–	6,585
Installation services of LED screen and facade lighting	17,600	–
	17,600	6,585

2. Other income

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bad debt recovered	–	144
Foreign exchange gain, net	3	14
Interest income	25	95
Reversal of impairment loss on land lease prepayment	–	1,895
Waiver of a loan debt due to an independent creditor	–	1,696
Written back of provision of long service payment	66	–
	94	3,844

3. Finance costs

Interest on bank and other borrowings wholly repayable within 5 years:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank overdrafts	32	185
Interest on trust receipt loans	63	171
Interest on bank revolving loan	397	562
Interest on other loan	–	294
	<u>492</u>	<u>1,212</u>

4. Loss before taxation

Loss before taxation is arrived at after charging/(crediting) the following:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Auditors' remuneration		
– provision for year	200	240
– overprovision in prior year	–	(6)
	<u>200</u>	<u>234</u>
Amortisation of land lease prepayment	374	327
Direct costs		
– Cost of inventories sold	–	6,223
– Subcontracting fee	16,930	–
	<u>16,930</u>	<u>6,223</u>
Depreciation	52	51
Impairment loss on other receivables	–	5
Impairment loss on land lease prepayment	992	–
Interest on bank and other borrowings wholly repayable within five years	492	1,212
Staff costs (including directors' remuneration)		
– salaries, allowances and other benefits	1,004	1,630
– contributions to defined contribution plans	37	44
	<u>1,041</u>	<u>1,674</u>
Bad debt recovered	–	(144)
Foreign exchange gain, net	(3)	(14)
Interest income	(25)	(95)
Reversal of impairment loss on land lease prepayment	–	(1,895)
Waiver of a loan debt due to an independent creditor	–	(1,696)
Written back of provision of long service payment	(66)	–
	<u>(66)</u>	<u>–</u>

5. Taxation

No Hong Kong or overseas income taxes have been provided for in the financial year as neither the Company nor any of its subsidiaries derived any assessable profit that is subject to Hong Kong or overseas income taxes (2007: HK\$Nil).

6. Dividend

No dividends had been paid or declared by the Company for both years presented.

7. Loss per share

The calculation of the basic loss per share amounts is based on the net loss for the year attributable to equity shareholders of the Company of HK\$3,371,000 (2007: HK\$430,000), and on the number of 154,801,160 (2007: 154,801,160) ordinary shares in issue during the year.

Diluted loss per share for both years had not been calculated as no diluting events existed during those years.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 December 2008, the Group recorded turnover of HK\$17.6 million. Net loss attributable to shareholders of the Company for the year was HK\$3.37 million.

Business Review

Comparing to last financial year, the increased audited net loss for 2008 was primarily due to in year 2007 the Group had a waiver of loan debt due to an independent creditor of approximately HK\$1.7 million and reversal of impairment loss on land lease prepayment of approximately HK\$1.9 million.

During the year under review, the Group's overall running cost had been sustained at its minimal level through the strict cost control measures. The human resources had also been maintained at the least possible status to generate maximum productivity. In brief, the cost structure of the Group has always been successfully locked at the least possible efficient level.

In April 2008, the Group entered into an agreement with an independent third party regarding the provision of installation services of a large LED screen and facade lighting in Hong Kong.

During the year under review, the Group had achieved turnover and profit margin of approximately HK\$17.60 million and HK\$0.67 million respectively out of the said agreement.

Liquidity and Financial Resources

The current ratio of the Group in 2008 was 0.45 (2007: 0.62). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital was 2.49 (2007: 3.21). Details of the Group's exposure to credit risk, liquidity risk, fluctuation in exchange rates, interest rate risk and any related hedges are as follows:

Credit risk

The Group's maximum exposure to credit risk is attributable to trade receivable and bank balances. The Group has significant concentration of credit risk in relation to the trade receivable and bank balances as the balance of the trade receivable was due from a single counterparty and 98% of the bank balances was due from a single banker respectively. The Group manages its exposure to credit risk through continual monitoring of the credit quality of its customers, taking into account their financial position, collection history, past experience and other relevant factors. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced. Although the bank balances are concentrated on a single counterparty, the concentration of credit risk on these assets is limited because the bank balances were placed with licensed and creditworthy commercial banks in Hong Kong.

Liquidity risk

The Group is exposed to liquidity risk on financial liabilities. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from the Group's bankers to meet its liquidity requirements in the short and longer term.

Foreign currency risk

The Group has certain financial assets and liabilities which are denominated in foreign currencies which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group is exposed to cash flow interest rate risk primarily arising from bank overdrafts, bank revolving loan and trust receipt loans which carrying at floating interest rates.

At as 31 December 2008, the Group had trade receivables amounted to HK\$14.1 million (2007: HK\$Nil) and trade payables amounted to HK\$12.5 million (2007: HK\$Nil). There had also been no inventories as last year-end date.

As at 31 December 2008, the Group's net current liabilities amounted to HK\$21,145,000 (2007: HK\$19,101,000) and net liabilities amounted to HK\$5,991,000 (2007: HK\$2,620,000). At the same day, the Group's cash and bank balances amounted to HK\$2,838,000 (2007: HK\$30,096,000). The total bank and other borrowings at 31 December 2008 were HK\$15,249,000 (2007: HK\$41,776,000).

Future Outlook

As of the date of this announcement, the Board has been restructured and the management has put in all their effort to formulate a viable resumption proposal. The Board will use its best endeavors to look for new business and investment opportunities with an aim to broadening the Group's revenue stream and turning the bottom-line around. Upon successfully reorganized, the Group will have adequate resources to continue with sustainable business operations. The Board has confidence to bring the Company back profitable track once the trading of the Company's shares is resumed.

Delayed Publication of the 2008 Annual Results

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company was obliged to publish its 2008 annual report and the related results announcement on or before 30 April 2009. The publication of the Group's 2008 annual results announcement and the despatch of the 2008 annual report were delayed solely because, inter alia, the Company failed to settle the professional fees due to its auditors, Lak & Associates C.P.A. Limited (the "Auditor"). The Board also confirms that the Company did not have any disagreement with the Auditor in the course of the preparation of the audited report for the financial year ended 31 December 2008.

Suspension of Trading

At the request of the Company, trading of the Company's shares has been suspended since 27 September 2006. On 18 December 2008, the Listing Committee of the Stock Exchange decided to place the Company in the third stage of the delisting procedures in accordance with Practice Note 17 of the Listing Rules. The Company will submit a viable resumption proposal to the Stock Exchange as soon as possible.

Employees

As at 31 December 2008, the Group had a total of 3 employees (2007: 4 employees), of whom all were based in Hong Kong. The remuneration package for Hong Kong staff was strictly on a monthly-salary basis. Year-end bonus was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs for the year amounted to HK\$1,041,000 (2007: HK\$1,674,000). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

Contingent Liabilities

At the balance sheet date, neither the Group nor the Company had any significant contingent liabilities.

Significant Issues

During the years presented, there were no significant investments and material acquisitions or disposals of subsidiaries or associated companies.

There was also no material change in capital structure and pledge of assets of the Group during the two years presented.

For the year ended 31 December 2008, the Directors are not aware of any significant change from the position as at 31 December 2007 and the information published in the report and accounts for the year ended 31 December 2007. The capital structure of the Company only consists of share capital, no other capital instrument was issued by the Company.

Pledge of Assets

The Group's leasehold building and land with an aggregate carrying amount of HK\$15,498,000 (2007: HK\$16,913,000) was pledged to secure bank and other borrowings of the Group. The Group borrowed a loan of HK\$30 million from a potential investor pursuant to a loan agreement dated 28 December 2007. The loan is secured by a share mortgage in respect of entire issued share capital in a wholly-owned subsidiary, Oriental Surplus Limited, interest free and repayable on demand.

Purchase, Redemption or Sale of Listed Securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Acquisitions and Disposals of Subsidiaries and Associates

During the year, there were no material acquisitions and disposals of the Company's subsidiaries.

Corporate Governance

The Company's 2008 audited financial statements had been reviewed by the audit committee of the Company (the "Audit Committee"), which comprises three independent non-executive Directors, before they were duly approved by the Board under the recommendation of the Audit Committee.

In the opinion of the Directors, the Company had complied with the code provisions as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the 2008 annual report.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2008 consolidated financial statements of the Company, the Directors, both collectively and individually, applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

In addition to the above disclosures, the Company's 2008 annual report also contains the corporate governance report in compliance with all relevant recommendations laid down in the "Corporate Governance Report" as set out in Appendix 23 of the Listing Rules.

Annual General Meeting

It is proposed that the Annual General Meeting of the shareholders of the Company will be held on a date to be fixed by the Board. Notice of Annual General Meeting will be published and despatched to the shareholders in due course.

Other Information

Other than the Company's website, all the financial and other related information required by the Listing Rules in relation to the 2008 annual results of the Company will also be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) at the earliest practicable opportunity.

On behalf of the Board
Chan Chun Choi
Chairman

Hong Kong, 25 May 2009

As at the date hereof, the Board comprises Mr. Chan Chun Choi, Ms. Lu Su Hua, both of whom are executive directors, Mr. Wong Ka Hing, Mr. Leung Wai Tat, Henry and Ms. Leung Wai Kei, who are independent non-executive directors.