VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

(the "Company")

2009 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 2009

	Note	**2009** *HK$'000*	2008 *HK$'000*
Revenue	*1*	**–**	17,600
Direct costs		**–**	(16,930)
Gross profit		**–**	670
Other income	*2*	**1,575**	94
Administrative expenses		**(5,201)**	(3,643)
Loss from operation		**(3,626)**	(2,879)
Finance costs	*3*	**(391)**	(492)
Loss before taxation	*4*	**(4,017)**	(3,371)
Taxation	*5*	**–**	–
Net loss attributable to equity shareholders of the Company		**(4,017)**	(3,371)
Loss per share – Basic and diluted	*6*	**(2.60 cents)**	(2.18 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009	2008
	HK$'000	*HK$'000*
Loss for the year	**(4,017)**	(3,371)
Total comprehensive loss for the year attributable to equity shareholders of the Company	**(4,017)**	(3,371)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**1,841**	1,891
Land lease prepayment	**14,091**	13,263
	15,932	15,154
Current assets		
Land lease prepayment	**381**	349
Trade receivable	**–**	14,088
Prepayments, deposits and other receivables	**47**	53
Cash and cash equivalents	**549**	2,838
	977	17,328
Current liabilities		
Trade payables	**100**	12,543
Other payables and accruals	**1,531**	2,010
Amount due to a related party	**2,197**	2,197
Amounts due to directors	**4,467**	6,474
Bank and other borrowings	**18,622**	15,249
	26,917	38,473
Net current liabilities	**(25,940)**	(21,145)
Total assets less current liabilities	**(10,008)**	(5,991)
Non-current liabilities		
Provision for long service payment	**–**	–
NET LIABILITIES	**(10,008)**	(5,991)
CAPITAL AND RESERVES		
Share capital	**15,480**	15,480
Reserves	**(25,488)**	(21,471)
TOTAL EQUITY	**(10,008)**	(5,991)

DISCLAIMER OF OPINION

The auditor 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 the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 our auditor's report on the consolidated financial statements for the year ended 31 December 2008, 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 year ended 31 December 2008 and subsequent to 31 December 2008 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 2008 and the results of the Group for the year ended 31 December 2008 were fairly stated. Any adjustments to the opening balances as at 1 January 2009 would affect the net liabilities of the Group as at 31 December 2009 and the results of the Group for the year ended 31 December 2009. Also the comparative figures in respect of the net liabilities of the Group as at 31 December 2008 and the results of the Group for the year ended 31 December 2008 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 2009 and subsequent to the end of the reporting period 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 2009.

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 reporting period 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$1,575,000

– Directors' remuneration of HK$374,000

– Taxation with HK$Nil amount

– Loss attributable to equity shareholders of the Company of HK$4,017,000

Included in consolidated statement of financial position

– Cash and cash equivalents of HK$549,000

– Bank and other borrowings of HK$18,622,000

(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 the ownership of interest in OSL as at 31 December 2009.

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 events after the reporting period. 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 2009.

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 2009, 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$4,017,000 for the year ended 31 December 2009 and, as at 31 December 2009, the Group had net current liabilities of approximately HK$25,940,000. 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 gong concern basis is appropriate is so extreme that we have disclaimed our opinion."

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- HKAS 23 (revised 2007), Borrowing costs

The amendments to HKAS 23 and Improvements to HKFRSs (2008) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

– HKFRS 8 requires segment disclosures to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the policy applicable for prior years which was focused on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in the Group being classified as one segment. As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the financial statements which explain the basis of preparation of the information.

– As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net liabilities for any period presented.

– As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorizing these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

– The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

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

The Group had no revenue during the year. In 2008, revenue represented the invoiced value of installation services rendered.

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

	2009	2008
	HK$'000	*HK$'000*
Installation services of LED screen and façade lighting	**–**	17,600
	–	17,600

2. Other income

	2009	2008
	HK$'000	*HK$'000*
Discount received from a trade creditor	**366**	–
Foreign exchange gain, net	**–**	3
Interest income	**–**	25
Reversal of impairment loss on land lease prepayment	**1,209**	–
Written back of provision of long service payment	**–**	66
	1,575	94

3. Finance costs

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

	2009	2008
	HK$'000	*HK$'000*
Interest on bank overdrafts	**–**	32
Interest on trust receipt loans	**9**	63
Interest on bank revolving loan	**382**	397
	391	492

4. Loss before taxation

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

	2009	2008
	HK$'000	*HK$'000*
Auditor's remuneration		
– audit services	**150**	200
– other services	**100**	–
	250	200
Amortisation of land lease prepayment	**349**	374
Direct costs		
– Subcontracting fee	**–**	16,930
Depreciation	**53**	52
Impairment loss on land lease prepayment	**–**	992
Interest on bank and other borrowings wholly repayable within five years	**391**	492
Staff costs (including directors' remuneration)		
– salaries, allowances and other benefits	**1,098**	1,004
– contributions to defined contribution plans	**43**	37
	1,141	1,041
Discount received from a trade creditor	**(366)**	–
Foreign exchange gain, net	**–**	(3)
Interest income	**–**	(25)
Reversal of impairment loss on land lease prepayment	**(1,209)**	–
Written back of provision of long service payment	**–**	(66)

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 (2008: HK$Nil).

6. 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$4,017,000 (2008: HK$3,371,000), and on the number of 154,801,160 (2008: 154,801,160) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years end 31 December 2009 and 2008 in respect of dilution as no diluting events existed during those years.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group had no revenue for the year ended 31 December 2009. Net loss attributable to shareholders of the Company for the year was HK$4.02 million.

Business Review

As stated in the 2007 and 2008 results announcement 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 of Hong Kong Limited (the "Stock Exchange") decided to place the Company in the third stage of the delisting procedures in accordance with Practice Note 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year 2009, the Directors had been actively looking for business opportunities and/or potential acquisitions which could enhance the Company's financial and operating performance.

During the year 2009, the Board had been restructured and on 29 May 2009, the Company submitted a resumption proposal in relation to the resumption of trading in the Company's shares to the Stock Exchange. Upon successfully reorganized, the Group will have adequate resources to continue with sustainable business operations. As of the date of this announcement, the said resumptions proposal is still under review by the Stock Exchange, the Board is confident to bring the Company back profitable track once the trading of the Company's shares is resumed.

Liquidity and Financial Resources

The current ratio of the Group in 2009 was 0.04 (2008: 0.45). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital was 1.74 (2008: 2.49). Details of the Group's exposure to credit risk, liquidity risk, foreign currency risk, interest rate risk and any related hedges are as follows:

Credit risk

The Group's maximum exposure to credit risk was represented by the carrying amount of cash balances at banks which are concentrated on a single counterparty. The credit risk and the concentration of credit risk on these assets were limited because the cash and 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 revolving loan and trust receipt loans which carrying at floating interest rates.

At as 31 December 2009, the Group had no trade receivable (2008: HK$14.1 million) and trade payables amounted to HK$0.1 million (2008: HK$12.5 million). There had also been no inventories as last year-end date.

As at 31 December 2009, the Group's net current liabilities amounted to HK$25,940,000 (2008: HK$21,145,000) and net liabilities amounted to HK$10,008,000 (2008: HK$5,991,000). At the same day, the Group's cash and bank balances amounted to HK$549,000 (2008: HK$2,838,000). The total bank and other borrowings at 31 December 2009 were HK$18,622,000 (2008: HK$15,249,000).

Future Outlook

During the year 2009, the Board had been restructured and on 29 May 2009, the Company submitted a resumption proposal in relation to the resumption of trading in the Company's shares to the Stock Exchange. 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 is confident to bring the Company back profitable once the trading of the Company's shares is resumed.

Suspension of Trading

As stated in the 2007 and 2008 result announcements 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 had on 29 May 2009 submitted a resumption proposal in relation to the resumption of trading in the Company's shares to the Stock Exchange.

Employees

As at 31 December 2009, the Group had a total of 6 employees (2008: 3 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$1,141,000 (2008: HK$1,041,000).

Contingent Liabilities

At the end of the reporting period, 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 of the Group during the two years presented.

For the year ended 31 December 2009, the Directors are not aware of any significant change from the position as at 31 December 2008 and the information published in the report and accounts for the year ended 31 December 2008. The capital structure of the Company only consists of share capital, no other capital instrument was issued by the Company.

Pledge of Assets

As at 31 December 2009, the bank borrowings facilities of HK$14,000,000 (31 December 2008: HK$14,000,000) granted by a banker are secured by the Group's leasehold land and building with an aggregate carrying amount of approximately HK$16,310,000 (31 December 2008: HK$15,498,000), jointed and several personnel guarantee to be executed by the director, Mr. Chan Chun Choi and a third party of HK$14,000,000 (31 December 2008: HK$14,000,000) plus accrued interest. At the end of the reporting period, the facilities were utilized by the Group to the extent of approximately HK$10,500,000 (31 December 2008: HK$12,500,000).

The Group borrowed a loan of HK$30,000,000 pursuant to the loan agreement dated 28 December 2007 from a potential investor. The loan facilities are primarily for the purpose of providing funds for costs and expenses of restructuring in relation to the Agreement for the Implementation of a Restructuring Proposal dated 9 November 2007 and as working capital to revitalize the business of the Group. The loan is secured by a share mortgage in respect of entire issued shares capital in a wholly-owned subsidiary of the Company, Oriental Surplus Limited, interest free and repayable on demand. As at 31 December 2009, the balance was approximately HK$122,000 (31 December 2008: HK$2,749,000).

The Group also borrowed a loan of HK$8,000,000 pursuant to the loan agreement dated 16 November 2009 from a third party for general business purpose. The loan and the interest thereon is secured by a second legal charge over the Group's leasehold land and building with an aggregate carrying amount of approximately HK$16,310,000. As at 31 December 2009, the balance was HK$8,000,000.

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 2009 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 2009 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 2009 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 2009 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

All the financial and other related information required by the Listing Rules in relation to the 2009 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 and Managing Director

Hong Kong, 30 April 2010

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