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VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

(the "Company")

2010 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 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Revenue	*4*	**–**	–
Other income	*5*	**54**	1,575
Loss on deconsolidation of a subsidiary		**(25)**	–
Administrative expenses		**(5,432)**	(5,201)
Loss from operations		**(5,403)**	(3,626)
Finance costs	*6*	**(1,089)**	(391)
Loss before taxation		**(6,492)**	(4,017)
Income tax expense	*7*	**–**	–
Loss for the year	*8*	**(6,492)**	(4,017)
Loss per share	*10*		
Basic		**(4.19 cents)**	(2.60 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 *HK$'000*	2009 *HK$'000*
Loss for the year	**(6,492)**	(4,017)
Other comprehensive income		
Release of reserve upon deregistration of a subsidiary in previous year	**280**	–
Total comprehensive expense for the year	**(6,212)**	(4,017)
Total comprehensive expense attributable to owners of the Company	**(6,212)**	(4,017)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**1,801**	1,841
Prepaid lease payments		**13,710**	14,091
		15,511	15,932
Current assets			
Prepaid lease payments		**381**	381
Deposits and other receivables		**58**	47
Bank balances and cash		**19**	549
		458	977
Current liabilities			
Trade payables	*11*	**100**	100
Other payables and accruals	*11*	**4,198**	1,531
Amount due to a related party		**–**	2,197
Amounts due to directors		**4,764**	4,467
Bank overdrafts		**2,272**	–
Bank and other borrowings		**21,135**	18,622
		32,469	26,917
Net current liabilities		**(32,011)**	(25,940)
Total assets less current liabilities		**(16,500)**	(10,008)
CAPITAL AND RESERVES			
Share capital		**15,480**	15,480
Reserves		**(31,980)**	(25,488)
		(16,500)	(10,008)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note a)	Enterprise expansion fund HK$'000 (Note b)	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	15,480	50,091	710	445	(165)	(72,552)	(5,991)
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	–	(4,017)	(4,017)
At 31 December 2009 and 1 January 2010	15,480	50,091	710	445	(165)	(76,569)	(10,008)
Loss for the year	–	–	–	–	–	(6,492)	(6,492)
Other comprehensive (expense) income for the year	–	–	–	(445)	165	280	–
Total comprehensive (expense) income for the year	–	–	–	(445)	165	(6,212)	(6,492)
At 31 December 2010	15,480	50,091	710	–	–	(82,781)	(16,500)

Notes:

(a) The contributed surplus represents the excess of the fair value of the subsidiary's shares acquired pursuant to the reorganisation on 22 January 1998, over the nominal value of the Company's shares issued in exchange.

(b) The enterprise expansion fund is maintained, and annual allocations to the fund are made, in accordance with the Joint Venture Law of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL INFORMATION

Victory Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The trading of Company's shares has been suspended since 27 September 2006. The Stock Exchange announced that effective from 18 December 2008, the Company will be placed into the third stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules (the "Delisting Procedures"). Practice Note 17 formalises the procedures to be adopted in dealing with long suspended companies.

The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

In the opinion of the directors of the Company (the "Directors"), the parent and ultimate controlling party of the Company is Winsley Investment Limited ("Winsley") which is incorporated in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Company.

The Company and its subsidiaries (collectively referred to as the "Group") were principally also engaged in the investment holding and property holding during this year. The Group had not generated any revenue during the years ended 31 December 2010 and 31 December 2009.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Going concern

In preparing the consolidated financial statements, the Directors of the Company have given consideration to the future liquidity of the Group.

The Group incurred a loss for the year ended 31 December 2010 of approximately HK$6,492,000 and, as at 31 December 2010, the Group reported consolidated net current liabilities and net liabilities of approximately HK$32,011,000 and HK$16,500,000 respectively.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the Directors of the Company have adopted the following measures:

(i) The Directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercise, including but not limited to, a private placement, an open offer or a right issue of new shares of the Company; and

(ii) The Directors of the Company continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations.

(iii) As at 31 December 2010, there are three overdue other borrowings of approximately HK$10,635,000 owing to a potential investor. The directors of the Company are under negotiation with the lenders for the rearrangement of the captioned defaulted other borrowings and considered that the contingent liabilities arising from the consequences of default of these borrowings are remote.

In the opinion of the Directors, if the above measures accomplish the expected results, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable concern. Therefore, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 31 December 2010.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Deconsolidation of a subsidiary – Oriental Surplus Limited ("OSL")

OSL was a wholly-owned subsidiary of the Company incorporated in the British Virgin Island on 2 October 2007. The Group borrowed a loan of HK30,000,000 pursuant to the loan agreement dated 28 December 2007 from a potential investor. The loan facilities were primarily for the purpose of providing funds for costs and expenses of restructuring in relation to an agreement for the implementation of a restructuring proposal dated 9 November 2007 (the "Agreement") and as working capital to revitalise the business of the Group.

As mentioned in the Company's 2009 annual report, as the Company had lost contact with the sole director of OSL since early 2008 and did not have sufficient documentary evidence available, the Directors were unable to represent as to the completeness and correctness of the financial information of OSL included in the consolidated financial statements for the year ended 31 December 2009 of the Group. The Company received 2 letters dated 4 September 2009 from the legal advisors of the said lender, informing the Company that the entire share capital in OSL has been transferred to the lender and without settlement among the dispute over the execution of the Agreement between the Company and the lender. The said letter also stated that the lender is now in procession of all the records and documents including company kit, and is the legal and beneficial owner of the entire share capital of OSL.

Due to the above events, the Directors considered that since the beneficiary status of OSL has been lost, it is inappropriate to consolidate the financial results of OSL into the Group. The results, assets and liabilities and cash flows of OSL were deconsolidated from the consolidated financial statements of the Group from 1 January 2010. The Group recorded a loss of approximately HK$25,000 on deconsolidation of OSL for the year ended 31 December 2010 based on its financial information as of 31 December 2009.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK-Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the adoption of the New and Revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (Revised 2008) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations of which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Result of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

The application of other new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

HKAS 24 Related Party Disclosures (as revised in 2009) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The Group is in the process of making an assessment of the potential impact of these new / revised HKFRSs and the Directors so far concluded that the application of these new / revised HKFRSs will have no material impact on the Group's consolidated financial statements.

4. REVENUE

The Group had no revenue during the years ended 31 December 2010 and 2009.

5. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Other income	**54**	–
Discount received from a trade creditor	**–**	366
Reversal of impairment loss on prepaid lease payments	**–**	1,209
	54	1,575

6. FINANCE COSTS

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

	2010	2009
	HK$'000	*HK$'000*
Interest on bank overdrafts	**70**	–
Interest on trust receipt loans	**–**	9
Interest on bank revolving loan	**384**	382
Interest on other loans	**635**	–
	1,089	391

7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong profits tax has been provided in both years as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 December 2010 and 2009.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

No profits taxes have been provided for the subsidiaries which are operating outside Hong Kong as these subsidiaries have not generated any assessable profits in the respective jurisdictions.

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss before taxation	**(6,492)**	(4,017)
Tax at applicable tax rate	**(1,099)**	(663)
Tax effect of income not taxable for tax purpose	**(9)**	(199)
Tax effect of expenses not deductible for tax purpose	**888**	627
Utilisation of deferred tax asset previously not recognised	**–**	(41)
Tax effect of tax losses not recognised	**220**	276
Income tax expense for the year	**–**	–

8. LOSS FOR THE YEAR

Loss for the year has been is arrived at after charging (crediting):

	2010	2009
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit services	**200**	150
– Other services	**770**	100
	970	250
Amortisation of prepaid lease payments	**381**	349
Depreciation of property, plant and equipment	**55**	53
Loss on deconsolidation of a subsidiary	**25**	–
Interest on bank and other borrowings wholly repayable within five years	**1,089**	391
Staff costs (including directors' emoluments)		
– Salaries, allowances and benefits in kind	**1,094**	1,098
– Contributions to pension scheme	**41**	43
– Over-provision for annual leave payments	**(3)**	–
	1,132	1,141
Discount received from a trade creditor	**–**	(366)
Reversal of impairment loss on prepaid lease payments	**–**	(1,209)

9. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the consolidated loss for the year attributable to owners of the Company of approximately HK$6,492,000 (2009: HK$4,017,000) and the weighted average of 154,801,160 (2009: 154,801,160) ordinary shares of the Company in issue during the year.

No diluted loss per share has been presented as there was no dilutive potential ordinary share for the years ended 31 December 2009 and 2010.

11. TRADE PAYABLES / OTHER PAYABLES AND ACCRUALS

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**100**	100
Other payables	**2,197**	53
Accruals	**2,001**	1,478
	4,198	1,531
	4,298	1,631

Aging analysis of trade payables based on the invoice date, as at the end of the reporting period is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 6 to 12 months	**–**	100
Over 1 year	**100**	–

Trade and other payables are expected to be settled within one year. The fair values approximate to their respective carrying amounts at the end of the reporting period due to their short-term maturity.

INFORMATION FROM THE INDEPENDENT AUDITOR'S REPORT

EXTRACT OF THE AUDITOR'S REPORT

"Basis for disclaimer of opinion

a. *Fundamental uncertainty relating to the going concern basis*

The Group incurred a loss for the year ended 31 December 2010 of approximately HK$6,492,000 and, as at 31 December 2010, the Group reported consolidated net current liabilities and net liabilities of approximately HK$32,011,000 and HK$16,500,000 respectively. In forming our opinion, we have considered the adequacy of the disclosures made in Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statement have been prepared. As detailed in Note 2 to the consolidated financial statements, the Group is currently undertaking a number of measures to improve its financial and current liquidity position. The consolidated 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 continuous support from the Group's existing bankers and extension of the loans from the potential investor and the attainment of profitable and positive cash flow operation of the Group to meet the Group's future working capital and financial requirements. The consolidated 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 consolidated financial statements concerning this situation, but we consider that this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

b. *Scope limitation – Prior year's audit scope limitation affecting opening balances*

For the year ended 31 December 2009, there is significance of the possible effects of the limitation in evidence made available to the preceding auditor resulting from the inability of the Directors of the Company to locate sufficient documentary information and had disclaimed their opinion accordingly.

The preceding auditor's opinion on the consolidated financial statements of the Group for the year ended 31 December 2009, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified by the preceding auditor because of the significance of the possible effect of the limitations on the scope of the audit in relation to all transactions entered into by a subsidiary, Oriental Surplus Limited ("OSL") for the year ended 31 December 2009 and subsequent to 31 December 2009 have not been properly reflected in the books and records and in the financial statements of OSL. Accordingly, the preceding auditor were unable to form an opinion as to whether the net liabilities of the Group as at 31 December 2009 and the results of the Group as at 31 December 2009 were fairly stated. Details of the disclaimed audit opinion issued by the preceding auditor are set out in the independent auditor's report of the Company's annual report dated 30 April 2010.

c. *Scope limitation – Deconsolidation of a subsidiary*

As explained in Note 2 to the consolidated financial statements, the Directors considered that the control of the Company over OSL has been lost subsequent to the year ended 31 December 2009. Therefore, OSL has not been consolidated in the Group's consolidated financial statements for the year ended 31 December 2010.

The loss on deconsolidation of OSL of approximately HK$25,000 has been recognised in the consolidated income statement.

Whilst the Directors considered that the exclusion of OSL present more fairly the Group's financial position and the results for the year in the circumstances, the exclusion of the financial position and results of OSL in the consolidated financial statements is a departure from the requirements of Hong Kong Accounting Standard 27 "Separate and Consolidated Financial Statements".

Since the directors considered that the control of the Company over OSL has been lost and accordingly failed to get access to their books and records, we have not been provided sufficient appropriate audit evidence and explanations to assess the accuracy and completeness of the loss on deconsolidation of OSL, impairment on investment in OSL and any other related contingent liabilities were properly recorded and disclosed.

We are unable to carry out alternative audit procedures to satisfy ourselves as to the matters set out above.

Any adjustments that might have been found to be necessary in respect of the matters set out in the paragraph above would have a consequential effect on the financial position of the Group as at 31 December 2010 and the loss and cash flows of the Group for the year then ended and the related disclosures in the consolidated financial statements.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion section, we 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 Group as at 31 December 2010 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group had no revenue for the year ended 31 December 2010. Net loss attributable to owners of the Company for the year was HK$6.49 million.

Business Review

Comparing to last financial year, the increased audited net loss for 2010 was primarily due to an increase of approximately HK$0.23 million and HK$0.70 million of administrative expense and finance costs respectively.

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.

During the year under review, the Group had no revenue for the year.

Liquidity and Financial Resources

The current ratio of the Group in 2010 was 0.01 (2009: 0.04). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital was 2.10 (2009: 1.74). Details of the Group's exposure to credit risk, liquidity risk, currency risk, interest rate risk and any related hedges are as follows:

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets, mainly deposits and other receivables and bank balances, as stated in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors 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.

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 closely 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 bank overdrafts which carrying at floating interest rates. It is the Group's policy to keep it at floating rate of interest so as to minimise the fair value interest rate risk. If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year would increase or decrease by approximately HK$215,000 (2009: HK$53,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank revolving loan and bank overdrafts.

At as 31 December 2010, the Group had no trade receivables (2009: Nil) and trade payables amounted to HK$0.1 million (2009: HK$0.1 million). There had also been no inventories as at 31 December 2009.

As at 31 December 2010, the Group's net current liabilities amounted to approximately HK$32,011,000 (2009: HK$25,940,000) and net liabilities amounted to approximately HK$16,500,000 (2009: HK$10,008,000). At the same day, the Group's bank balances and cash amounted to approximately HK$19,000 (2009: HK$549,000). The bank and other borrowings at 31 December 2010 were approximately HK$21,135,000 (2009: HK$18,622,000).

Future Outlook

During the year 2010, the Board had been restructured, the Company submitted further information 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 2009 result 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 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 submitted a resumption proposal on 29 May 2009 and further information during the year 2010 in relation to the resumption of trading in the Company's shares to the Stock Exchange.

Employees

As at 31 December 2010, the Group had a total of 6 employees (2009: 6 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 approximately HK$1,132,000 (2009: HK$1,141,000).

Contingent Liabilities

On 4 September 2009, the Company has received a letter from a lawyer of Profit Fortune International Limited ("Profit Fortune"). It stated that in relation to the Agreement, it was agreed to implement a restructuring of the Company's business and for Profit Fortune to acquire a controlling interest in the Company. In breach of the Agreement, the Company has failed to carry out its obligations under the Agreement, and made a new restructuring plan and thereby failed to implement the Agreement and to bring about the necessary events for completion of the same. As a result, Profit Fortune is considering claiming against the Company for the payment of HK$76,440,000 together with the said expenses, and instituting legal proceedings against the Company.

As there is no further action taken by Profit Fortune up to the date of this announcement, the directors of the Company considered that the possibility of an outflow of resources embodying economic benefits is remote.

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 2010, the Directors are not aware of any significant change from the position as at 31 December 2009 and the information published in the report and accounts for the year ended 31 December 2009. The capital structure of the Company only consists of share capital, no other capital instrument was issued by the Company.

Pledge of Assets

At 31 December 2010, the banking facilities of HK$14,000,000 (2009: HK$14,000,000) are secured by the Group's leasehold land and building with an aggregate carrying amount of approximately HK$15,881,000 (2009: HK$16,310,000), joint personal guarantee and corporate guarantee to be executed by the director, Mr. Chan Chun Choi and the Company of HK$14,000,000 (2009: HK$14,000,000). At the end of the reporting period, the facilities were utilised by the Group to the extent of HK$10,500,000 (2009: HK$10,500,000).

During the year ended 31 December 2007, the Group borrowed a loan of HK$30,000,000 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 revitalise the business of the Group. Pursuant to the loan agreement dated 28 December 2007, 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 ("OSL"), interest free and repayable on demand. As at 31 December 2009, the above captioned loan balance was approximately HK$122,000. The Company received 2 letters dated 4 September 2009 from the legal advisors of the said lender, informing the Company that the entire share capital in OSL has been transferred to the lender and without settlement among the dispute over the execution of the Agreement between the Company and the lender. The said letter also stated that the lender is now in procession of all the records and documents including company kit, and is the legal and beneficial owner of the entire share capital of OSL.

The Group borrowed addition loan of HK$2,000,000 (2009: HK$8,000,000) pursuant to several loan agreements 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$15,881,000 (2009: HK$16,310,000). At 31 December 2010, the balance was HK$10,000,000 (2009: HK$8,000,000).

During the year, in respect of the loan with carrying amounts of HK$8,000,000, HK$1,000,000 and HK$1,000,000 as at 31 December 2010, which has been expired on 15 May 2010, 30 September 2010 and 11 January 2011, respectively, the Group breached the repayment terms of the loan. Upon the breach of the repayment term, the Directors of the Company informed the lender and commenced renegotiation of the terms of the loan with the lender. As at 31 December 2010, those negotiations had not been concluded. Since the lender has not agreed to waive its right to demand immediate payment as at the end of reporting period, the loan has been classified as a current liability as at 31 December 2010. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress. The Directors of the Company are confident that their negotiation with the lender will ultimately reach a successful conclusion. In any event, should the lender call for immediate repayment of the loan, the Directors of the Company believe that adequate alternative sources of financing are available to ensure that there is no threat to the continuing operations of the Group.

The amount due is interest free except for overdue sum at the interest rate of 12% per annum until full repayment.

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 Group's 2010 audited consolidated financial statements had been reviewed by the audit committee of the Company (the "Audit Committee"), which comprises four 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 2010 annual report.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2010 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 2010 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 2010 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 March 2011

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, Ms. Leung Wai Kei and Dr. Lam King Hang, all of whom are independent non-executive directors.