

Notes to the Financial Statements

1. CORPORATE INFORMATION

(a) The Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 November 2003 under the Companies Law of the Cayman Islands.

During the period from 27 November 2003 (being the date of incorporation) to 31 December 2003, the Company has not carried out any business transactions save for the incurring of expenses related to its incorporation and the Group Reorganisation as defined in note 1(b) below. The income statement of the Company has not been presented as the Company did not have any results for the period from 27 November 2003 to 31 December 2003. The expenses related to the Group Reorganisation have been accounted for as prepayments in the Company's balance sheet.

The financial statements of the Company as at 31 December 2003 are presented on pages 32 to 39.

As the Company was incorporated on 27 November 2003, no comparative figures are presented.

As the Group Reorganisation set out below was completed subsequent to 31 December 2003, the Group did not exist as at that date. Accordingly, no group financial statements have been presented.

(b) Group reorganisation

Pursuant to the Group Reorganisation to rationalise the structure of the Group in preparation for the listing of the Shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 10 March 2004. Details of the Company's subsidiaries comprising the Group as from 10 March 2004 are set out in note 26 to the proforma financial information.

The Group Reorganisation was accomplished by acquiring the entire share capital of Victory BVI, which is, at the date of this report, the intermediate holding company of the subsidiaries set out in note 26 to the proforma financial information, in consideration of and in exchange for 10,000 shares to the then shareholders of Victory BVI. Further details of the Group Reorganisation are set out in the Prospectus.

The Shares were listed on the Main Board of the Stock Exchange on 26 March 2004.

Notes to the Financial Statements

1. CORPORATE INFORMATION *(continued)*

(c) Basis of preparation

As the Group Reorganisation took place on 10 March 2004, in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants (the “HKSA”), the effect of the Group Reorganisation is not reflected in the Company’s financial statements for the period ended 31 December 2003.

However, since all entities which took part in the Group Reorganisation were under common control before and immediately after the Group Reorganisation and, consequently, there was a continuation of the risks and benefits to the then shareholders that existed prior to the Group Reorganisation, additional proforma financial information, prepared using the merger basis of accounting, has been presented on pages 41 to 78, as if the Group had always been in existence. Further details concerning the basis of presentation of the proforma financial information is set out on page 40.

The financial statements have been prepared under the historical cost convention.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with the accounting policies set out below. These accounting policies conform with all applicable Hong Kong Financial Reporting Standards (which includes all applicable SSAPs and Interpretations) issued by the HKSA, generally accepted accounting principles in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(d) Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Profits and losses resulting from this translation policy are dealt with in the income statement.

(e) Event after the balance sheet date

Post-year-end events that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. The Company did not earn any income during the period from 27 November 2003 (being the date of incorporation) to 31 December 2003.

4. TAXATION

No provision for Hong Kong profits tax has been made as the Company has no assessable profit in Hong Kong during the period ended 31 December 2003.

Notes to the Financial Statements

5. DIRECTORS' EMOLUMENTS

27 November 2003
to
31 December 2003
HK\$'000

Fees	–
Other emoluments:	
Basic salaries, other allowances and benefits in kind	–
Discretionary bonus	–
Retirement benefits scheme contributions	–
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6. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest free and has no fixed repayment terms.

Notes to the Financial Statements

7. SHARE CAPITAL

	<i>Note</i>	Number of shares	Amount HK\$
<i>Authorised:</i>			
On incorporation and at 31 December 2003, ordinary shares of HK\$0.01 each	<i>(a)</i>	38,000,000	380,000
At 1 January 2004		38,000,000	380,000
Increase in authorised capital, 10 March 2004	<i>(b)</i>	962,000,000	9,620,000
At 26 March 2004, the listing date		1,000,000,000	10,000,000
<i>Issued and fully paid:</i>			
Shares issued on 1 December 2003 and at 31 December 2003	<i>(a)</i>	10,000	–
At 1 January 2004		10,000	–
Shares transferred upon Group Reorganisation, 10 March 2004	<i>(c)</i>	–	100
Capitalisation issue, 10 March 2004	<i>(d)</i>	319,990,000	3,199,900
New issue and placing of shares, 26 March 2004	<i>(e)</i>	80,000,000	800,000
At 26 March 2004, the listing date		400,000,000	4,000,000

Notes to the Financial Statements

7. SHARE CAPITAL *(continued)*

Notes:

- (a) The Company was incorporated on 27 November 2003 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which 10,000 Shares of HK\$0.01 were allotted and issued nil paid on 1 December 2003.
- (b) On 10 March 2004, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 new Shares of HK\$0.01 each ranking *pari passu* with the then existing Shares in all respects.
- (c) Pursuant to the Group Reorganisation mentioned in note 1(b) on 10 March 2004, the then shareholders of Victory BVI transferred an aggregate of 10,000 shares of HK\$0.1 each, representing the entire issued share capital of Victory BVI, to the Company in consideration of and in exchange for which the Company credited as fully paid at par 10,000 Shares allotted and issued nil paid to each of the then shareholders on 1 December 2003. The Company became the holding company of the Group with effect from 10 March 2004. The difference between the nominal value of Shares issued and the fair value of Victory BVI and its subsidiaries was credited to the share premium account.
- (d) Pursuant to a written resolution of all shareholders passed on 10 March 2004, the Directors were authorised to capitalise the sum of HK\$3,199,900 standing to the credit of the share premium account of the Company and 319,990,000 Shares were allotted and issued to shareholders whose names appear on the register of members of the Company as at the close of business on 10 March 2004 in proportion to their then respective shareholdings in the Company.
- (e) Pursuant to the listing of the Shares on 26 March 2004, 80,000,000 Shares were issued for cash of HK\$2.35 per Share. The excess of the issued price over the par value of the Shares issued has been credited to the share premium account of the Company.
- (f) All Shares both issued and unissued rank *pari passu* in all respects at 26 March 2004.

Share option scheme

A share option scheme was adopted subsequent to 31 December 2003. Details of the Share Option Scheme are set out in the Directors' Report and the Prospectus.

Notes to the Financial Statements

8. RELATED PARTY TRANSACTIONS

Pursuant to the Group Reorganisation to rationalise the structure of the Group in preparation for the listing of the Shares on the Main Board, the Company became the holding company of the subsidiaries now comprising the Group on 10 March 2004.

The Group Reorganisation was accomplished by acquiring the entire share capital of Victory BVI, which is, at the date of this report, the immediate holding company of the subsidiaries set out in note 26 to the proforma financial information, in consideration and in exchange for 10,000 shares to Mr. Li Wei Bo, Famous Wisdom International Limited, Ocean Pilot Investments Limited, Mr. Lee Cheuk Yin, Dannis and an independent third party, the former shareholders of Victory BVI. Further details of the Group Reorganisation are set out in the Prospectus.

9. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2003, the following events took place:

- (a) Subsequent to 31 December 2003, there were movements in share capital, details of which are set out in note 7 to the financial statements.
- (b) On 10 March 2004, the Company completed the Group Reorganisation in preparation for the listing of the Shares on the Main Board. As a result of the Group Reorganisation, the Company has become the holding company of the Group. Further details of the Group Reorganisation are set out in the Prospectus.
- (c) A share option scheme was established on 10 March 2004, further details of which are set out in the Directors' Report and the Prospectus. The Share Option Scheme became effective upon the listing of the Shares on the Main Board on 26 March 2004. As at the date of this report, no option has been granted or agreed to be granted under the Share Option Scheme.