



VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code : 1139



INTERIM REPORT 2007

CONTENTS

Corporate Information	2
Financial Highlights	3
Unaudited Consolidated Income Statement	4
Unaudited Consolidated Balance Sheet	5
Unaudited Consolidated Cash Flow Statement	6
Unaudited Consolidated Statement of Changes in Equity	8
Notes to Financial Statements	9
Management Discussion and Analysis	16
Disclosure of Additional Information	19

CORPORATE INFORMATION

Board of Directors

Executive Directors

Chan Chun Choi

(Chairman and Managing Director)

Lu Su Hua *(Deputy Chairman)*

Independent Non-executive Directors

Ng Chi Shing

Yuen Kwok Wah, Bernard

Lam Williamson

Audit Committee

Lam Williamson *(Chairman)*

Ng Chi Shing

Yuen Kwok Wah, Bernard

Remuneration Committee

Ng Chi Shing *(Chairman)*

Yuen Kwok Wah, Bernard

Lam Williamson

Nomination Committee

Yuen Kwok Wah, Bernard *(Chairman)*

Ng Chi Shing

Lam Williamson

Company Secretary and Qualified Accountant

Ben Leung *CPA ACIS*

Principal Bankers

Standard Chartered Bank (HK) Limited

Shop No.1,2,3

G/F, Katherine House

No.53-55 Chatham Road South

Kowloon

Hong Kong

Bank of China (Hong Kong) Limited

39-41 Des Voeux Road Central

Hong Kong

Auditors

Lak & Associates C.P.A. Limited

3rd Floor, Chinachem Tower

34-37 Connaught Road Central

Hong Kong

Principal Share Registrars and Transfer Office

The Bank of Bermuda Limited

6 Front Street

Hamilton HM 11

Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Trico Tengis Limited

Level 28

Three Pacific Place

1 Queen's Road East

Hong Kong

Registered Office

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business

Suite 1609 New East Ocean Centre

9 Science Museum Road

Tsimshatsui East

Kowloon

Hong Kong

Website

www.victorygroup.com.hk

Stock Code

1139

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2007	2006	
	HK\$'000	HK\$'000	
Revenue	1,500	100	1,400
Net loss from ordinary activities attributable to shareholders	(2,152)	(2,868)	24.9
Loss per share	(1.39 cents)	(2.22 cents)	

Victory Group Limited (the “Company”) and its board of directors (the “Board”) announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 (the “Period”) together with the comparative figures for the corresponding period in last year (the “Last Period”) or for the last financial year ended 31 December 2006, where applicable.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Revenue	1	1,500	100
Cost of sales		<u>(1,310)</u>	<u>–</u>
Gross profit		190	100
Other income	2	384	317
Selling and distribution costs		(8)	(14)
Administrative expenses		(1,979)	(1,589)
Other operating expenses		<u>–</u>	<u>–</u>
Loss from operating activities	3	(1,413)	(1,186)
Finance costs	4	<u>(739)</u>	<u>(1,682)</u>
Loss before taxation		(2,152)	(2,868)
Taxation	5	<u>–</u>	<u>–</u>
Net loss from ordinary activities attributable to shareholders		(2,152)	(2,868)
Interim dividend	6	–	–
Accumulated losses at beginning of year		<u>(68,751)</u>	<u>(62,683)</u>
Accumulated losses at end of the periods		<u><u>(70,903)</u></u>	<u><u>(65,551)</u></u>
Loss per share	7	<u><u>(1.39 cents)</u></u>	<u><u>(2.22 cents)</u></u>

UNAUDITED CONSOLIDATED BALANCE SHEET

		30 June 2007 HK\$'000	31 December 2006 HK\$'000
Non-current assets			
Fixed assets		1,966	1,983
Land lease prepayment		13,083	13,083
		<u>15,049</u>	<u>15,066</u>
Current assets			
Land lease prepayment		327	327
Inventories		4,913	–
Prepayments, deposits and other receivables		50	52
Trade receivables		1,503	7,874
Pledged bank deposit		3,612	3,588
Cash and bank balance		154	270
		<u>10,559</u>	<u>12,111</u>
Current liabilities			
Trade payables		1,413	3,387
Other payables and accruals	9	3,698	3,560
Amount due to related party	8	2,197	2,197
Amount due to directors		5,074	4,901
Bank and other borrowings	10	17,502	15,256
		<u>29,884</u>	<u>29,301</u>
Net current liabilities		<u>(19,325)</u>	<u>(17,190)</u>
Total assets less current liabilities		(4,276)	(2,124)
Non-current liabilities			
Provision for long service payment		66	66
Net liabilities		<u>(4,342)</u>	<u>(2,190)</u>
Capital and reserves			
Issued capital	11	15,480	15,480
Accumulated Loss		(70,903)	(68,751)
Reserves	12	51,081	51,081
		<u>(4,342)</u>	<u>(2,190)</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2007 HK\$'000	For the year ended 31 December 2006 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(2,152)	(6,068)
Adjustments for:		
Interest expenses	739	2,341
Interest income	(62)	(20)
Depreciation	25	49
Amortisation of land lease prepayment	164	344
Reversal of impairment loss on land lease prepayment	(164)	–
Impairment loss on land lease prepayment	–	686
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL		
Increase in inventories	(1,450)	(2,668)
Decrease in prepayments, deposits and other receivable	(4,913)	–
Decrease / (increase) in trade receivables	2	72
Increase in other payables and accruals	6,371	(7,824)
Increase in provision for long service payment	138	593
(Decrease) / increase in trade payables	–	22
	(1,974)	3,387
CASH USED IN OPERATIONS	(1,826)	(6,418)
Interest received	62	20
Interest paid	(739)	(3,122)
NET CASH USED IN OPERATING ACTIVITIES	(2,503)	(9,520)
INVESTING ACTIVITIES		
Increase in pledged bank deposit	(24)	(3,588)
Payments to acquire fixed assets	(8)	–
NET CASH FROM INVESTING ACTIVITIES	(32)	(3,588)

	Six months ended 30 June 2007 HK\$'000	For the year ended 31 December 2006 HK\$'000
FINANCING ACTIVITIES		
Issue of share capital	–	3,612
Share issue expenses	–	(471)
Proceeds from trust receipt loan	(583)	4,083
Repayment to bank loans	–	(8,317)
Cash advance from directors	173	4,901
	<hr/>	<hr/>
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(410)	3,808
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,945)	(9,300)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	(10,903)	(1,603)
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	–	–
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR (Note 13)	(13,848)	(10,903)
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June 2007 HK\$'000	For the year ended 31 December 2006 HK\$'000
Shareholders' equity at 1 January	(2,190)	737
Net loss for the Period / for the year	(2,152)	(6,068)
Movements in share capital:		
Shares issued on placing	–	2,580
Share premium received	–	1,032
Shares issued expenses	–	(471)
Net increase in shareholders' equity arising from capital transactions with shareholders	–	3,141
Shareholders' equity at end of the Period / year	(4,342)	(2,190)

NOTES TO FINANCIAL STATEMENTS

Basis of presentation

The consolidated interim accounts were unaudited and had been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and on a basis consistent with the accounting policies adopted in the Group's audited annual financial statements for the year ended 31 December 2006.

The consolidated interim accounts had also been prepared in accordance with all applicable disclosure requirements of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The preparation of the financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Basis of consolidation

The unaudited consolidated interim financial statements included the financial statements of the Group for the Period. The results of subsidiaries of the Company during the Period were consolidated and all significant inter-company transactions and balances within the Group were eliminated on consolidation. The basis of consolidation adopted in this interim report is consistent with that used by the Group in presenting the audited annual financial statements for the year ended 31 December 2006.

1. Revenue

Revenue represents the invoiced value of inventories sold, net of discounts and returns, and rental income. There had been no change in the Group's principal activities during the Period, focusing mainly on the marketing and distribution of automotive products and property holding for rental income purposes.

Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions. In respect of geographical segment reporting, turnover is based on the countries in which the customers are located.

(a) *Business segments*

The Group is comprised of the following main business segments:

- Trading of automotive products; and
- Property investment – leasing of office premises.

	Six months ended 30 June 2007			
	Trading of automotive products HK\$'000	Property investment HK\$'000	Inter-segment elimination HK\$'000	Group HK\$'000
Segment revenue				
Revenue from external customers	1,500	–	–	1,500
Inter-segment revenue	–	270	(270)	–
Other revenue from external customers	144	–	–	144
Other revenue – reversal of impairment loss on land lease prepayment	–	–	–	–
Total	1,644	270	(270)	1,644
Segment result				
Inter-segment transactions	(1,482)	516	–	(966)
Loss from operations	(1,212)	246	–	(966)
Unallocated income and expenses				979
Finance costs				(2,165)
Loss before taxation				(2,152)
Taxation				–
Loss attributable to shareholders				(2,152)
Segment assets				
Unallocated assets	6,487	15,417	–	21,904
Total assets				3,704
				25,608
Segment liabilities				
Unallocated liabilities	2,259	8	–	2,267
Total liabilities				27,683
				29,950
Other information				
Bad debt recovered	144	–	–	144
Depreciation	(1)	(24)	–	(25)
Amortization of land lease prepayment	–	(164)	–	(164)

Six months ended 30 June 2006

	Trading of automotive products HK\$'000	Property investment HK\$'000	Inter-segment elimination HK\$'000	Group HK\$'000
Segment revenue				
Revenue from external customers	-	100	-	100
Inter-segment revenue	-	270	(270)	-
Other revenue from external customers	144	-	-	144
Other revenue – reversal of impairment loss on land lease prepayment	-	172	-	172
Total	144	542	(270)	416
Segment result				
Inter-segment transactions	(812)	345	-	(467)
	270	(270)	-	-
Loss from operations	(542)	75	-	(467)
Unallocated income and expenses				(719)
Finance costs				(1,682)
Loss before taxation				(2,868)
Taxation				-
Loss attributable to shareholders				(2,868)
Segment assets				
Unallocated assets	208	16,496	-	16,704
				62
Total assets				16,766
Segment liabilities				
Unallocated liabilities	4,691	1,821	-	6,512
				12,408
Total liabilities				18,920
Other information				
Bad debt recovered	144	-	-	144
Depreciation	-	(24)	-	(24)
Amortization of land lease prepayment	-	(172)	-	(172)

Segment assets consist primarily of fixed assets, properties, inventories, receivables, operating cash, net of allowance and provisions while most such assets can be directly attributed to individual segments.

Segment liabilities comprise bank overdrafts and operating liabilities.

Inter-segment revenue eliminated on consolidation represents inter-company rental charges on a property owned by the Group.

Inter-segment transactions were conducted at arm's length.

(b) *Geographical segments*

The Group's operations are located in Hong Kong and China. The Group's trading of automotive products is carried out in Hong Kong and China. Property investment is located in Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		China		Group	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	-	100	1,500	-	1,500	100
Segment assets	19,191	16,766	6,417	-	25,608	16,766
Capital expenditure	-	-	-	-	-	-

2. Other income

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Bad debt recovered	144	144
Foreign exchange gain	13	-
Interest income	62	1
Reversal of impairment loss on land lease prepayment	164	172
Others	1	-
	<u>384</u>	<u>317</u>

3. Loss from operating activities

Loss from operating activities was arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Cost of inventories	1,310	–
Amortisation of land lease prepayment	164	172
Depreciation	25	24
Staff costs (including directors' remuneration)	1,095	674
Mandatory Provident Fund ("MPF") contributions	19	19
Reversal of impairment loss on land lease prepayment	(164)	(172)
Bad debt recovered	(144)	(144)
Interest income	62	1
Net rental income	–	(100)

4. Finance costs

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and trust receipt loans	739	1,682

5. Taxation

No provision for Hong Kong profits tax had been provided as there were no assessable profits earned in or derived from Hong Kong during the Period (Last Period: nil).

6. Interim dividend

The Board did not recommend the payment of an interim dividend for the Period (Last Period: nil).

7. Loss per share

The calculation of basic loss per share for the Period was based on the net loss attributable to shareholders for the Period of HK\$2,152,000 (Last Period: net loss attributable to shareholders of HK\$2,868,000) and on the weighted average of 154,801,160 (Last Period: 129,001,160) ordinary shares in issue over the Period.

No diluted loss per share for the Period and the Last Period had been presented as the exercise of the potential ordinary shares would result in a reduction in loss per share.

8. Amount due to related company

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

9. Other payables and accruals

Two-third of all other payables and accruals at 30 June 2007 (31 December 2006: 57%) were aged more than 90 days. All other payables and accruals were unsecured and interest free.

10. Bank and other borrowings

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Bank borrowings:		
Bank overdrafts, secured	3,502	–
Bank loan, secured	10,500	–
Trust receipt loans, secured	3,500	4,083
	<u>17,502</u>	<u>4,083</u>
Other borrowing:		
Other loan, secured	–	11,173
	<u>–</u>	<u>11,173</u>
Bank borrowings repayable within one year or on demand	<u>17,502</u>	<u>15,256</u>
Bank borrowings repayable more than one year	<u>–</u>	<u>–</u>

11. Issued capital

	30 June 2007 HK\$	31 December 2006 HK\$
Authorised:		
220,558,640 ordinary shares of HK\$0.1 each	<u>22,055,864</u>	<u>22,055,864</u>
Issued and fully paid:		
154,801,160 ordinary shares of HK\$0.1 each	<u>15,480,116</u>	<u>15,480,116</u>

12. Reserves

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Share premium account	50,091	50,091
Contributed surplus*	710	710
Enterprise expansion fund**	445	445
Exchange fluctuation reserve	(165)	(165)
	<u>51,081</u>	<u>51,081</u>

* The contributed surplus for the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation on 22 January 1998, over the nominal value of the Company's shares issued in exchange.

** The enterprise expansion fund is maintained, and annual allocations to the fund are made, in accordance with the Joint Venture Law of China.

13. Cash and cash equivalents

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Cash and bank balances	154	270
Pledged bank deposit	<u>3,612</u>	<u>3,588</u>
Cash and cash equivalents in the balance sheets	3,766	3,858
Bank overdrafts (<i>Note 10</i>)	(3,502)	–
Bank loan	(10,500)	–
Other loan with maturity within one month	–	(11,173)
Less: Pledged bank deposit – pledged for trust receipt loan	<u>(3,612)</u>	<u>(3,588)</u>
Cash and cash equivalents in the consolidated cash flow statement	<u>(13,848)</u>	<u>(10,903)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Interim results

In view of the past several years, the Group had achieved a better interim period. The unaudited turnover in the Period had been significantly increased when compared to that in the Last Period. The unaudited net loss attributable to shareholders for the Period was shrunk to HK\$2,152,000, an apparent improvement of approximately 25 percent as compared with the same reported in the Last Period. Other income for the Period, also, had achieved an increase of 21 percent in the Period. Due to the successful refinancing for the bank loan due to Bank of China (Hong Kong) Limited ("BOCHK"), the Group has carried a lighter burden of financial costs, resulting in a substantial decrease of 56 percent from those incurred in the Last Period.

Business Review

Since the last quarter of 2006, the distribution business of light-emitting diode ("LED") auto parts helps the Group improve its operating results as a whole. Nonetheless, the improvements in both turnover and gross profit were largely limited to the working fund in hand. The management of the Company has utilized the available but limited working capital to engage in the LED auto parts sector which demands much lesser fund input than those would have been required by the conventional automotive products, especially the wholesale distribution of fully-furnished automobiles. Though the Group has not exactly considered the marketing and distribution of LED auto parts a relatively long-term core business, the present funding strategy keeps the Group going towards its goal bit by bit.

During the Period, the Company had entered into a debt refinancing scheme with a new banker. The new arrangement was successful in dissolving the debts owed to BOCHK which had long shut down the provision of any further banking facilities to the Group. Backed by viable collateral, the Group has now managed to operate under a new shelter with better banking facilities.

Future Outlook

Despite of the improvements in turnover and gross profit margin over the Period, the Group's ability to drastically overturning its business performance has still been greatly hindered by the same major obstacle as years go by. Similar to other auto products, a steady source of working capital is the absolute key to sustain and further enhance the growth in the auto distributorship industry, including the LED auto component market. In terms of revenue and profitability, the full recovery of the marketing and distribution of the conventional automotive products is still the ultimate target of the Group in the near future. After all, the Group had once a glorious success in that particular industry in the past.

The same missionary commitment as previous years is still mandatory for the management of the Company and the Board. They definitely continue to make the best efforts in improving business performance with all possible opportunities ahead. Tied by the limited funding situation, the Company will also keep on exercising stringent cost control, quality assurance, and expense control to minimize operating costs through enhanced flexibility and efficiency.

Risk Management

During the Period, the Group had no exposure to credit risk, inventory risk, fluctuation in exchange rates and any related hedges because our tight control of working capital management on the credit policies, inventory, funding and treasury planning was proven effective. Effective from a couple of years ago, the Company has enforced a tighter credit policy which forbids any sort of credit sale to customers, the Group had therefore no exposure to credit risk in doing business with local or overseas customers. Since all the purchases of imported merchandise had been fixed at an agreed exchange rate prior to the confirmation of purchase orders by the Group to its vendors, the Group had no exposure to fluctuation in exchange rates and any related hedges.

Financial Summary

Despite of the reappearing trade receivables, the Group's newly enforced credit policy has proven as a positive means of increasing turnover in the Period. As a result of the risk-oriented sale policy, the Group had significantly reduced the trade receivables at 30 June 2007 by almost 81 percent as compared with that at last year end. Among which, none was overdue; therefore, the directors of the Company (the "Directors") considered unnecessary to provide provision for doubtful debts for the Period.

Within the Period, the Group carried inventories of approximately HK\$4.9 million (31 December 2006: nil). These inventories have already been reserved by existing orders placed by the customers. Again, the Group has exercised a highly efficient inventory system by maximising our funding availability in production of revenue. Based on the back-to-back ordering system, the Directors believed that the Company carried the least possible inventory risk and therefore it was unnecessary to make any provision for the Period.

At 30 June 2007, the Group's net current liabilities amounted to HK\$19,325,000 (31 December 2006: HK\$17,190,000) and net liabilities amounted to HK\$4,342,000 (31 December 2006: HK\$2,190,000). At the same day, the Group's cash and bank balances amounted to HK\$154,000 (31 December 2006: HK\$270,000). The total bank loans and overdrafts at 30 June 2007 were increased to HK\$17,502,000 from such balances of HK\$15,256,000 at 31 December 2006. Similar to the last year-end date, time deposits of HK\$3,612,000 were pledged to back the banking facilities granted to the Group at 30 June 2007 (31 December 2006: HK\$3,588,000).

In terms of liquidity, the current ratio at the end of the Period was 0.35 (31 December 2006: 0.41). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital was 1.93 at 30 June 2007 (31 December 2006: 1.89).

For the Period, the Directors are not aware of any significant change from the position as at 31 December 2006 and the information published in the report and accounts for the year ended 31 December 2006. Throughout the Period, the capital structure of the Company only consists of share capital, no other capital instrument had been issued by the Company.

Delayed publication of the 2007 Interim Results

The publication of the Group's 2007 interim results announcement and the dispatch of the 2007 interim report were delayed almost a month behind as required by the Listing Rules. The delay was inevitable due to the subsequent delayed approval of the Group's 2006 annual results by the shareholders of the Company as a result of the delayed publication of the Group's 2006 annual results announcement and the dispatch of the 2006 annual report. The shareholders of the Company approved the Company's 2006 accounts on 5 October 2007, being the date of the Company's 2007 annual general meeting.

DISCLOSURE OF ADDITIONAL INFORMATION

Contingent Liabilities

At 30 June 2007, contingent liabilities not provided for in the interim results were banking facilities, totaling HK\$10,500,000 (31 December 2006: HK\$11,173,000), guaranteed by the Company which were utilized by its subsidiaries.

Related Party Transactions

Except for the disclosure in the note 8 to financial statements, there were no related party transactions in the Period (Last Period and the year ended 31 December 2006: nil)

Significant Issues

During the Period, there was no significant investment and material acquisitions or disposals of subsidiaries or associated companies. Also, there is no plan for material investments or capital assets in the near future mainly because of the Group's limited funding position. Furthermore, the Company and the Group had no significant commitments during the Period (Last Period and the year ended 31 December 2006: nil).

Pledge of Assets

The Group's leasehold building and land with an aggregate net book value of HK\$15,370,000 (31 December 2006: HK\$15,393,000) and a bank deposit of HK\$3,612,000 (31 December 2006: HK\$3,588,000) were pledged to secure bank loans and overdraft of the Group.

Major Customers and Suppliers

In the Period under review, the aggregate revenue attributable to one customer of the Group accounted for 100 per cent of the Group's sales of automotive products for the Period and sales to that customer included therein amounted to 100 per cent.

The aggregate purchases attributable to one supplier accounted for 100 per cent of the Group's purchases for the Period. None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owned more than 5 per cent of the Company's share capital) had any beneficial interests in the Group's largest customer and the Group's largest supplier.

Directors' Interests in Contracts

None of the Directors had a significant beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the Period (Last Period and the year ended 31 December 2006: none).

Directors' and Chief Executives' Interests in Share Capital of the Company

At the end date of the Period, the interests of the Directors and chief executives of the Company in the shares of the Company, underlying shares in respect of equity derivatives and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to both the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code") and Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), were as follows:

(a) The Company:

Name of Director	Number of shares held (other interest)
Chan Chun Choi ("Mr. Chan")	49,837,758

Of the above shares:

- (i) 6,837,758 shares are held by Eternal Victory Enterprises Inc. ("EVEI"), a company incorporated in the British Virgin Islands, as trustee of a unit trust, the units of which are held by a discretionary trust established for the family members of Mr. Chan. Mr. Chan holds all the issued share of EVEI; and
- (ii) 43,000,000 shares are held by Winsley Investment Limited ("Winsley").

(b) Associated Corporations:

Names of associated corporation	Name of Director	Number of shares held	Class of shares	Type of interest
Victory Motors Centre Limited	Chan Chun Choi	100,000	Non-voting deferred	Personal
		2,800,000	Non-voting deferred	Corporate <i>(Note)</i>

Note: The 2,800,000 non-voting deferred shares are held by Victory Petro Chemical Limited (formerly Kwong Hung Hing Enterprises Company Limited) of which Mr. Chan and Madam Lam Mo Kuen, Anna together hold the entire issued share capital.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the *SFO*.

Directors' Service Contracts

All Directors had entered service contracts with the Company for an initial term of 2 years. Every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years.

Corporate Governance

The Company is committed to exercise a high standard of corporate governance practices at all times. The Board believes that good corporate governance helps the Company safeguard the interests of its stakeholders and improve the performance of the Group. During the Period under review, the Company had complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "Code") throughout the accounting period covered by the Company's 2007 Interim Report.

The Board consists of a good mix of expertise, knowledge, experience and skills, the essential abilities to guide the management teams to fulfill corporate goals. The mission of the Board is to undertake the role for strategic planning and development of the Group with the objective to maximize its shareholders' value. Through the aids of senior management and the internal control mechanism, the Board monitors and supervises, from time to time, the ongoing performance of the Group.

Of the three independent non-executive Directors ("INEDs"), Mr. Lam Williamson possesses appropriate professional accounting qualifications and financial management expertise, satisfying Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the INEDs provide independent directives on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls, and risk management.

The Board meets regularly throughout the Period to review the business strategies and to monitor the operational and financial performance of the Group. The bye-laws of the Company (the "Bye-laws") allow board meetings to be conducted by way of telephone or videoconference and all Directors are given fourteen-day notices for regular board meetings. Sufficient information was supplied by management to facilitate the board meetings in making decisions. In both regular and ad hoc board meetings as required by business needs, the Directors are free to include matters of interest for discussion in the agenda. Other than the board papers and related materials, documents of all kinds in relation to the entire Group are accessible to all Directors at any time with one-day notice.

Re-election of Directors

Each Director has entered into a letter of appointment with the Company for a term governed by the Bye-laws numbered 87(1) where one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting of the Company. Ms. Lu Su Hua and Mr. Yuen Kwok Wah, Bernard had retired from their offices and had been re-elected at the Company's 2007 AGM.

The Chairman and Management Team

The Company implements a clear division of responsibilities among its top management. The Chairman is kept separate from the control of daily operations. Since January 2006, a dual leadership structure has been in place where the Chairman solely oversees the functions of the Board and the senior management team, headed by the Group's chief financial officer, takes responsibility for the Group's day-to-day business operations.

Financial Statements

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group in a timely manner. Equally important, they are also responsible for keeping proper accounting records and disclosures.

Directors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. The Company had made specific enquires of all Directors regarding any non-compliance with the Model Code during the Period and received confirmations from all Directors that they had fully complied with the required standard set out in the Model Code.

Audit Committee

The Group's 2007 unaudited interim financial statements had been duly reviewed by the Audit Committee with management. The members of the Audit Committee unanimously recommended for approval by the Board.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2007 unaudited interim financial statements of the Group, 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.

Directors' Remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

Name of Director	Six months ended 30 June			Total 2007 HK\$'000	Total 2006 HK\$'000
	Director's fee	Salaries, allowances and other benefits	Employer's contribution to MPF		
	2007 HK\$'000	2007 HK\$'000	2007 HK\$'000		
Executive Directors					
Chan Chun Choi	–	6	6	12	12
Lu Su Hua	50	–	–	50	50
	50	6	6	62	62
Independent Non-executive Directors					
Ng Chi Shing	50	–	–	50	50
Yuen Kwok Wah, Bernard	50	–	–	50	50
Lam Williamson	25	–	–	25	25
	125	–	–	125	125
Total	175	6	6	187	187

No share options have been granted to the Directors since the approval of the Company's share option scheme.

The emoluments of the Directors fell within the following bands:

	Six months ended 30 June	
	2007	2006
	Number of Directors	Number of Directors
Nil – HK\$1,000,000	5	5

During the Period, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a Director waived or agreed to waive any remuneration during the Period.

The remuneration committee and the nomination committee of the Company both convened one regular meeting within the Period. After reviewing the relevant policies and subsequent executive, no particular resolutions or recommendations had been made in both meetings.

Business Ethics

The Company commits to high standard of business ethics and integrity. Code of ethics is enforced in the Group where no employees are allowed to accept gifts or benefits of any type, in their capacity as our staff, from any party. Business partners are also informed of the ethical policy that forbids our employees from accepting their gifts.

Employees

Same as its last year-end date, the Group had a total of 6 employees, of whom five were based in Hong Kong whereas one was frequently stationed in China. The remuneration package for Hong Kong staff was strictly on a monthly-salary basis and that for the mainland employees was performance oriented. 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 Period amounted to HK\$1,095,000 (Last Period: HK\$674,000). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

The Group did not operate any pension or retirement schemes for its Directors or employees until the implementation of the MPF in December 2000. The Group has a share options scheme, which was duly approved by the shareholders on 22 January 1998, available for any full time employees of the Company or any of its subsidiaries, including any executive directors of the Company or of any subsidiaries. No options had been granted since the approval of the scheme.

Purchase, Sale or Redemption of Shares in the Company

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the Period (Last Period and the year ended 31 December 2006: nil).

Ultimate Holding Company and Substantial Shareholders

The Directors consider the ultimate holding company of the Company at 30 June 2007 to be Winsley, details of whose share interests are set out under the section headed "Directors' and Chief Executives' Interests in Share Capital of the Company".

At 30 June 2007, no persons, other than Winsley and EVEI were registered as having an interest of 5 per cent or more in the share capital of the Company that were required to be recorded in pursuant to Section 336 of the *SFO*.

On behalf of the Board
Chan Chun Choi
Chairman

Hong Kong, 18 October 2007