



VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

(the "Company")

INTERIM REPORT 2008

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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 (resigned on 25 August 2008)

Yuen Kwok Wah, Bernard

(resigned on 25 August 2008)

Lam Williamson

(resigned on 10 September 2008)

Wong Ka Hing

(appointed on 2 February 2009)

Leung Wai Tat, Henry

(appointed on 2 February 2009)

Leung Wai Kei *(appointed on 3 April 2009)*

AUDIT COMMITTEE

Leung Wai Kei *(Chairman)*

Wong Ka Hing

Leung Wai Tat, Henry

REMUNERATION COMMITTEE

Wong Ka Hing *(Chairman)*

Leung Wai Tat, Henry

Leung Wai Kei

NOMINATION COMMITTEE

Leung Wai Tat, Henry *(Chairman)*

Wong Ka Hing

Leung Wai Kei

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ben Leung *CPA ACIS*

(resigned on 19 November 2008)

Joshua Lee *FCCA CPA*

(appointed on 1 April 2009)

PRINCIPAL BANKER

Standard Chartered Bank (HK) Limited

Shop No.1,2,3

G/F, Katherine House

No.53-55 Chatham Road South

Kowloon

Hong Kong

AUDITOR

Lak & Associates C.P.A. Limited

3rd Floor, Chinachem Tower

34-37 Connaught Road Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited

6 Front Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 28

Three Pacific Place

1 Queen's Road East

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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		Change %
	30 June		
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	
Revenue	–	1,500	(100)
Net loss attributable to equity shareholders of the Company	(1,352)	(2,152)	(37)
Loss per share	(0.87 cents)	(1.39 cents)	

Victory Group Limited (the “Company”) and its board of directors (the “Board”) announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2008 (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 2007, where applicable.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

		Six months ended	
		30 June	
	<i>Note</i>	2008	2007
		HK\$'000	HK\$'000
Revenue	2	–	1,500
Cost of inventories sold		–	(1,310)
		<hr/>	<hr/>
Gross profit		–	190
Other income	3	276	384
Selling and distribution expenses		–	(8)
Administrative expenses		(1,395)	(1,979)
		<hr/>	<hr/>
Loss from operation		(1,119)	(1,413)
Finance costs	4	(233)	(739)
		<hr/>	<hr/>
Loss before taxation	5	(1,352)	(2,152)
Taxation	6	–	–
		<hr/>	<hr/>
Net loss attributable to equity shareholders of the Company		(1,352)	(2,152)
		<hr/> <hr/>	<hr/> <hr/>
Interim dividend	7	–	–
		<hr/> <hr/>	<hr/> <hr/>
Loss per share	8	(0.87 cents)	(1.39 cents)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

		30 June 2008	31 December 2007
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	9	1,917	1,943
Land lease prepayment	10	14,662	14,604
		<u>16,579</u>	<u>16,547</u>
Current assets			
Land lease prepayment	10	381	374
Payment in advance	11	1,410	–
Prepayments, deposits and other receivables	11	112	63
Cash and bank balance	12	19,425	30,096
		<u>21,328</u>	<u>30,533</u>
Current liabilities			
Receipt in advance	13	1,035	–
Other payables and accruals	13	1,520	1,066
Amount due to a related party	14	2,197	2,197
Amounts due to directors	14	5,408	4,595
Bank and other borrowings	15	31,653	41,776
		<u>41,813</u>	<u>49,634</u>
Net current liabilities		<u>(20,485)</u>	<u>(19,101)</u>
Total assets less current liabilities		(3,906)	(2,554)
Non-current liabilities			
Provision for long service payment		66	66
NET LIABILITIES		<u>(3,972)</u>	<u>(2,620)</u>
CAPITAL AND RESERVES			
Share capital	16	15,480	15,480
Reserves	17	(19,452)	(18,100)
TOTAL EQUITY		<u>(3,972)</u>	<u>(2,620)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	Six months ended	
	30 June	
<i>Note</i>	2008	2007
	HK\$'000	HK\$'000
Operating activities		
Loss before taxation	(1,352)	(2,152)
Adjustments for:		
Interest income	(24)	(62)
Interest expenses	233	739
Depreciation	26	25
Amortisation of land lease prepayment	187	164
Reversal of impairment loss on land lease prepayment	(252)	(164)
	(1,182)	(1,450)
Operating loss before changes in working capital		
Increase in inventories	–	(4,913)
Decrease in trade receivables	–	6,371
Increase in payment in advance	(1,410)	–
(Increase)/decrease in prepayments, deposits and other receivables	(49)	2
Decrease in trade payables	–	(1,974)
Increase in receipt in advance	1,035	–
Increase in other payables and accruals	468	138
	(1,138)	(1,826)
Cash used in operation		
Interest received	24	62
Interest paid	(248)	(739)
	(1,362)	(2,503)
Net cash used in operating activities	(1,362)	(2,503)
Investing activities		
Increase in pledged bank deposit	–	(24)
Purchase of office equipment	–	(8)
	–	(32)
Net cash used in investing activities	–	(32)
Financing activities		
Proceeds from new trust receipt loans	1,260	–
Repayment of trust receipt loans	(746)	(583)
Repayment of interest-bearing bank borrowings	(10,636)	–
Cash advanced from directors	898	173
Cash repaid to directors	(85)	–
	(9,309)	(410)
Net cash used in financing activities	(9,309)	(410)
Net decrease in cash and cash equivalents	(10,671)	(2,945)
Cash and cash equivalents at 1 January	19,066	(10,903)
Cash and cash equivalents at 30 June	8,395	(13,848)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Enterprise expansion fund <i>HK\$'000</i>	Exchange fluctuation reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008	15,480	50,091	710	445	(165)	(69,181)	(2,620)
Loss for the period	-	-	-	-	-	(1,352)	(1,352)
At 30 June 2008	<u>15,480</u>	<u>50,091</u>	<u>710</u>	<u>445</u>	<u>(165)</u>	<u>(70,533)</u>	<u>(3,972)</u>
At 1 January 2007	15,480	50,091	710	445	(165)	(68,751)	(2,190)
Loss for the period	-	-	-	-	-	(2,152)	(2,152)
At 30 June 2007	<u>15,480</u>	<u>50,091</u>	<u>710</u>	<u>445</u>	<u>(165)</u>	<u>(70,903)</u>	<u>(4,342)</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Basis of Presentation and Accounting Policies

The unaudited interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those described in the annual financial statements for the year ended 31 December 2007 except for the following new accounting policy adopted by the Group.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- Service income is recognized when the services are rendered.
- Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- Rental income is recognized on the straight-line basis over the lease term.
- Bank interest income is accrued using the effective interest method.

The HKICPA has issued a number of new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. There is however no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies, except for the above new accounting policy, applied in these financial statements as a result of these developments.

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

2. Revenue and Segment Information

(a) Revenue

Revenue represents the invoiced value of installation services rendered and inventories sold, net of discounts and returns. During the Period, the Group is engaged in the business of provision of installation services of LED screen and façade lighting. In the Last Period, the Group focused mainly on the marketing and distribution of automotive products.

(b) *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, revenue is based on the country in which the customers are located.

(c) *Business segments*

During the Period, the Group is principally engaged in provision of installation services of LED screen and façade lighting; therefore, no business segments analysis of the Group is presented.

In the Last Period, the Group was principally engaged in the trading of automotive products. Therefore, no business segments analysis of the Group was presented.

Segment assets consist primarily of trade and other receivables, net of impairment loss for bad and doubtful debts and operating cash, while most such assets can be directly attributed to individual segments.

Segment liabilities comprise bank overdrafts and operating liabilities.

(d) *Geographical segments*

The Group's provision of installation services of LED screen and facade lighting is carried out in Hong Kong. The Group's trading of automotive products is carried out in the PRC.

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.

(i) Total segment revenue for the period analysed by geographical segments are as follows:

	Revenue	
	Six months ended	
	30 June	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong	-	-
PRC	-	1,500
	<hr/>	<hr/>
Revenue	-	1,500
	<hr/> <hr/>	<hr/> <hr/>

- (ii) Total segment assets at the balance sheet date and capital expenditure incurred during the period analysed by geographical segments are as follows:

	Assets		Capital expenditure	
	30 June 2008 <i>HK\$'000</i>	31 December 2007 <i>HK\$'000</i>	30 June 2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	37,907	47,080	-	-
PRC	-	-	-	-
	<u>37,907</u>	<u>47,080</u>	<u>-</u>	<u>-</u>

3. Other Income

	Six months ended 30 June	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bad debt recovered	-	144
Foreign exchange gain, net	-	13
Interest income	24	62
Reversal of impairment loss on land lease prepayment	252	164
Sundry income	-	1
	<u>276</u>	<u>384</u>

4. Finance Costs

	Six months ended 30 June	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank and other borrowings		
– wholly repayable within 5 years	<u>233</u>	<u>739</u>

5. Loss Before Taxation

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

	Six months ended	
	30 June	
	2008	2007
	HK\$'000	HK\$'000
Auditors' remuneration	100	–
Amortisation of land lease prepayment	187	164
Cost of inventories	–	1,310
Depreciation	26	25
Interest on bank and other borrowings wholly repayable within 5 years	233	739
Staff costs (including directors' remuneration)		
– Salaries, allowances and other benefits	557	1,095
– Mandatory Provident Fund (“MPF”) contributions	19	19
	<u>576</u>	<u>1,114</u>
	-----	-----
Bad debt recovered	–	(144)
Foreign exchange gain	–	(13)
Interest income	(24)	(62)
Reversal of impairment loss on land lease prepayment	(252)	(164)
	<u>(252)</u>	<u>(164)</u>

6. Taxation

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

Note: The domestic tax rate in Hong Kong is used as it is where the operation of the Group is substantially based.

7. Interim Dividend

No dividend was paid or proposed during the Period (2007: HK\$Nil).

8. Loss Per Share

The calculation of basic loss per share for the Period is based on the net loss for the Period attributable to equity shareholders of the Company of approximately HK\$1,352,000 (2007: HK\$2,152,000), and on the number of 154,801,160 (2007: 154,801,160) shares in issue during the Period.

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

9. Property, Plant and Equipment

	2008 HK\$'000
Carrying amount at 1 January 2008	1,943
Depreciation	(26)
	<hr/>
Carrying amount at 30 June 2008	1,917
	<hr/> <hr/>

As at 30 June 2008, the Group's leasehold building with carrying amount of approximately HK\$1,911,000 (31 December 2007: HK\$1,935,000) was pledged to secure general banking facilities as set out in note 15. The Group's leasehold building is situated in Hong Kong and is held on medium term lease.

10. Land Lease Prepayment

	2008 HK\$'000
Carrying amount at 1 January 2008	14,978
Amortisation	(187)
Reversal of impairment loss	252
	<hr/>
Carrying amount at 30 June 2008	15,043
	<hr/> <hr/>
	30 June 2008 HK\$'000
Analysed for reporting purpose as:	
Current asset	381
Non-current asset	14,662
	<hr/>
	15,043
	<hr/> <hr/>

As at 30 June 2008, the Group's land lease prepayment with carrying amount of approximately HK\$15,043,000 (31 December 2007: HK\$14,978,000) was pledged to secure general banking facilities as set out in note 15. The Group's land lease prepayments is situated in Hong Kong and is held on medium term lease.

Reversal of impairment loss made for the Period was determined by reference to property valuations carried out by an external qualified valuer, Vigers Appraisal & Consulting Limited.

11. Trade Receivables, Payment in Advance, Prepayments, Deposits and Other Receivables

	Group	
	30 June 2008	31 December 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	—	—
Payment in advance (<i>Note a</i>)	1,410	—
Prepayments, deposits and other receivables	156	107
<i>Less: Impairment loss on other receivables</i>	(44)	(44)
	<u>112</u>	<u>63</u>
Trade receivables, prepayments, deposits and other receivables	<u>1,522</u>	<u>63</u>

All of the trade receivables, prepayments, deposits and other receivables are expected to be recovered within one year.

Note (a): The Group had entered into two service agreements each with an independent third party ("Subcontractor"), pursuant to which each Subcontractor would provide installation services of LED screen and façade lighting to the Group. The total agreed subcontracting services fee was HK\$16,930,000 and as at 30 June 2008, the Group has paid HK\$1,410,000.00 as deposit payment.

12. Cash and Cash Equivalents

	Group	
	30 June 2008	31 December 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	19,425	30,096
Cash and cash equivalents in the balance sheet	19,425	30,096
Bank overdraft	(530)	(530)
Bank revolving loan with maturity within one month	(10,500)	(10,500)
Cash and cash equivalents in the consolidated cash flow statement	<u>8,395</u>	<u>19,066</u>

Cash at bank earn interest at floating rates based on daily bank deposits rates.

13. Trade Payables, Receipt in Advance, Other Payables and Accruals

	Group	
	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Trade payables	—	—
Receipt in advance (<i>Note a</i>)	1,035	—
Other payables	54	53
Accruals	1,466	1,013
	<u>1,520</u>	<u>1,066</u>
	<u>2,555</u>	<u>1,066</u>

All the trade and other payables are expected to be settled within one year.

Note (a): The Group had entered into a service agreement with an independent third party (“Customer”), pursuant to which the Group would provide installation services of LED screen and façade lighting to the Customer. The total agreed service fee was HK\$17,600,000 and as at 30 June 2008, the Group has received HK\$1,035,000.00 as deposit.

14. Amounts Due to A Related Party/Directors

The amounts due to a related party/directors are unsecured, interest free and repayable on demand.

15. Interest-bearing Bank and Other Borrowings, Secured

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Bank borrowings:		
Bank overdrafts, secured	530	530
Bank revolving loan, secured	10,500	10,500
Trust receipt loans, secured	1,260	746
	<u>12,290</u>	<u>11,776</u>
Other borrowings:		
Other loan, secured	19,363	30,000
Bank borrowings repayable within one year or on demand	<u>31,653</u>	<u>41,776</u>

All of the bank and other borrowings are repayable on demand or within one year and classified under current liabilities.

Bank overdraft bears prime rate of the bank or HIBOR plus 1.5% (31 December 2007: prime rate of the bank or HIBOR plus 1.5%) per annum, whichever is higher.

The bank revolving loan and trust receipt loans bear interest at HIBOR plus 1.5% (31 December 2007: HIBOR plus 1.5%) per annum.

As at 30 June 2008, the bank borrowings facilities of HK\$14,546,000 (31 December 2007: HK\$14,546,000) are secured by the Group's leasehold land and building with an aggregate carrying amount of HK\$16,954,000 (31 December 2007: HK\$16,913,000), joint and several personal guarantee to be executed by the director, Mr. Chan Chun Choi and a third party of HK\$14,000,000 (31 December 2007: HK\$14,000,000) plus accrued interest, and a fixed deposit of HK\$546,000 (31 December 2007: HK\$546,000) in the name of Mr. Li Li Xin, Thomas. As at 30 June 2008, the facilities were utilized by the Group to the extent of approximately HK\$12,290,000 (31 December 2007: HK\$11,776,000).

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 30 June 2008, the balance was approximately HK\$19,363,000.

16. Share Capital

	30 June 2008		31 December 2007	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised Share Capital				
At beginning of period/year and at end of period/year				
Ordinary shares of HK\$0.1 each	<u>220,558,640</u>	<u>22,056</u>	<u>220,558,640</u>	<u>22,056</u>
Issued and Fully Paid Share Capital				
At beginning of period/year and at end of period/year				
Ordinary shares of HK\$0.1 each	<u>154,801,160</u>	<u>15,480</u>	<u>154,801,160</u>	<u>15,480</u>

17. Reserves

	Share premium account <i>HK\$'000</i>	Contributed surplus [#] <i>HK\$'000</i>	Enterprise expansion fund* <i>HK\$'000</i>	Exchange fluctuation reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008	50,091	710	445	(165)	(69,181)	(18,100)
Loss for the period	—	—	—	—	(1,352)	(1,352)
At 30 June 2008	<u>50,091</u>	<u>710</u>	<u>445</u>	<u>(165)</u>	<u>(70,533)</u>	<u>(19,452)</u>

[#] *The contributed surplus for the Group represents the excess of the fair 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.*

18. Capital Commitments

At the balance sheet date, neither the Group nor the Company had any significant capital commitments outstanding.

19. Material Related Party Transactions

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transactions during the interim period.

(a) Balances with related parties:

	30 June 2008 <i>HK\$'000</i>	31 December 2007 <i>HK\$'000</i>
Non-trade balances due to directors	<u>5,408</u>	<u>4,595</u>
Non-trade balance due to a related party	<u>2,197</u>	<u>2,197</u>

(b) *Key management personnel compensation*

The remuneration of Directors and other members of key management of the Group during the interim period was as follows:

	Six months ended 30 June 2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Short-term employee benefits	181	181
Post-employment benefits	6	6
	<u>187</u>	<u>187</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

At the request of the Company, trading of the Company's shares has been suspended since 27 September 2006. On 18 December 2008, the Listing Committee of The Stock Exchange of Hong Kong Limited 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"). In order to revitalize the Group's businesses and fulfill the Group's daily operation funding needs. During the period under review, the Company had entered into an agreement in April 2008 regarding the provision of installation services of a LED screen and facade lighting at North Point, Hong Kong. The amount to be received by the Company pursuant to the said agreement is HK\$17.6 million. The said project was completed on 31 December 2008 and the profit derived from the said project (which shall be reflected in the Company's 2008 annual report) was approximately HK\$0.67 million. In addition to the said project, the Directors have been actively looking for business opportunities and/or potential acquisitions which could enhance the Company's financial and operating performance.

As of the date of this report, the Board has been restructured and the management has put in all their effort to formulate a viable resumption proposal. Upon successfully reorganized, the Group will have adequate resources to continue with sustainable business operations. The Board is confidence to bring the Company back profitable track once the trading of the Company's shares is resumed.

Financial Summary

At 30 June 2008, the Group's net current liabilities amounted to HK\$20,485,000 (31 December 2007: HK\$19,101,000) and net liabilities amounted to HK\$3,972,000 (31 December 2007: HK\$2,620,000). At the same day, the Group's cash and bank balances amounted to HK\$19,425,000 (31 December 2007: HK\$30,096,000).

In terms of liquidity, the current ratio at the end of the Period was 0.51 (31 December 2007: 0.62). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital was 2.70 at 30 June 2008 (31 December 2007: 3.21).

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

Risk Management

During the Period, the Group's exposure to credit risk, liquidity risk, fluctuation in exchange rates, interest rate risk and any related hedges are as follows:

- (i) The Group's maximum exposure to credit risk is 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 are limited because the cash and bank balances were placed with licensed and creditworthy commercial banks in Hong Kong.
- (ii) 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.
- (iii) 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, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.
- (iv) The Group is exposed to cash flow interest rate risk primarily arising from bank overdrafts, bank revolving loan and trust receipt loans which carrying at floating interest rates. The Group is also exposed to fair value interest rate risk primarily arising from the fixed rate pledged bank deposit and fixed rate other loan.

Future Outlook

The Directors will continue to make the best efforts in improving business performance with all possible opportunities ahead. The Company will also keep on exercising stringent cost control, quality assurance, and expense control to minimize operating costs.

Delayed publication of the 2008 Interim Results

Pursuant to the Listing Rules, the Company was obliged to publish its 2008 interim report and the related results announcement on or before 30 September 2008. The publication of the Group's 2008 interim results announcement and the despatch of the 2008 interim report were delayed because, inter alia, the annual audit for the year ended 31 December 2007 was hindered as the Company failed to settle the professional fees due to its auditors, Lak & Associates C.P.A. Limited.

DISCLOSURE OF ADDITIONAL INFORMATION

Significant Issues

During the Period, there was no significant investment and material acquisitions or disposals of subsidiaries or associated companies. The Company and the Group had no significant commitments during the Period (Last Period and the year ended 31 December 2007: nil).

Pledge of Assets

As at 30 June 2008, the bank borrowings facilities of HK\$14,546,000 (31 December 2007: HK\$14,546,000) are secured by the Group's leasehold land and building with an aggregate carrying amount of HK\$16,954,000 (31 December 2007: HK\$16,913,000), joint and several personal guarantee to be executed by the director, Mr. Chan Chun Choi and a third party of HK\$14,000,000 (31 December 2007: HK\$14,000,000) plus accrued interest, and a fixed deposit of HK\$546,000 (31 December 2007: HK\$546,000) in the name of Mr. Li Li Xin, Thomas. As at 30 June 2008, the facilities were utilized by the Group to the extent of approximately HK\$12,290,000 (31 December 2007: HK\$11,776,000).

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.

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 2007: 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")	43,337,758

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) 36,500,000 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 (Note)

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 (except for the independent non-executive 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 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 existing independent non-executive Directors ("INEDs"), Ms. Leung Wai Kei (appointed on 3 April 2009) 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.

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 will 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 have confirmations from all Directors that they had fully complied with the required standard set out in the Model Code.

Audit Committee

The Group's 2008 unaudited interim financial statements had not been reviewed by the auditors of the Company but 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 2008 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.

Employees

Same as its last year-end date, the Group had a total of 4 employees, of whom all were based in Hong Kong. The remuneration package for Hong Kong staff was strictly on a monthly-salary basis. Year-end bonus was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs for the Period amounted to HK\$557,000 (Last Period: HK\$1,095,000). 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. The said share options scheme was lapsed during the Period.

Purchase, Sale or Redemption of the Company's Listed Securities

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 2007: nil).

Ultimate Holding Company and Substantial Shareholders

The Directors consider the ultimate holding company of the Company at 30 June 2008 to be Winsley.

At the balance sheet date, other than Winsley, EVEI and the person set out below, no persons 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.

Long Position

Name	Number of issued Shares held	Percentage of the issued share capital of the Company
Li Lixin Thomas	9,000,000	5.81 per cent

On behalf of the Board
Chan Chun Choi
Chairman and Managing Director

Hong Kong, 25 May 2009

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