



VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

(the "Company")

INTERIM REPORT 2009

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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

Wong Ka Hing

*(appointed on 2 February 2009 and
resigned on 10 June 2009)*

Leung Wai Tat, Henry

(appointed on 2 February 2009)

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

Hong Po Kui, Martin

(appointed on 10 June 2009)

AUDIT COMMITTEE

Leung Wai Kei *(Chairman)*

Hong Po Kui, Martin

Leung Wai Tat, Henry

REMUNERATION COMMITTEE

Hong Po Kui, Martin *(Chairman)*

Leung Wai Tat, Henry

Leung Wai Kei

NOMINATION COMMITTEE

Leung Wai Tat, Henry *(Chairman)*

Hong Po Kui, Martin

Leung Wai Kei

COMPANY SECRETARY

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		
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	
Revenue	–	–	–
Net loss attributable to equity shareholders of the Company	(1,377)	(1,352)	(2)
Loss per share	(0.89 cents)	(0.87 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 2009 (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 2008, where applicable.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

		Six months ended	
		30 June	
	<i>Note</i>	2009	2008
		HK\$'000	HK\$'000
Revenue	3	–	–
Other income	4	1,065	276
Administrative expenses		(2,242)	(1,395)
		<hr/>	<hr/>
Operating loss		(1,177)	(1,119)
Finance costs	5	(200)	(233)
		<hr/>	<hr/>
Loss before tax	6	(1,377)	(1,352)
Income tax expense	7	–	–
		<hr/>	<hr/>
Net loss attributable to equity shareholders of the Company		<u>(1,377)</u>	<u>(1,352)</u>
Interim dividend	8	<hr/> <hr/> –	<hr/> <hr/> –
Loss per share	9	<u>(0.89 cents)</u>	<u>(0.87 cents)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME –
UNAUDITED**

	Six months ended	
	30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	<u>(1,377)</u>	<u>(1,352)</u>
Total comprehensive income attributable to equity shareholders of the Company	<u>(1,377)</u>	<u>(1,352)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

		30 June 2009	31 December 2008
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	<i>10</i>	1,866	1,891
Land lease prepayment	<i>11</i>	13,903	13,263
		<u>15,769</u>	<u>15,154</u>
Current assets			
Land lease prepayment	<i>11</i>	371	349
Trade receivable	<i>12</i>	–	14,088
Prepayments, deposits and other receivables	<i>12</i>	106	53
Cash and cash equivalents	<i>13</i>	339	2,838
		<u>816</u>	<u>17,328</u>
Current liabilities			
Trade payables	<i>14</i>	466	12,543
Other payables and accruals	<i>14</i>	1,178	2,010
Amount due to a third party	<i>15</i>	2,000	–
Amount due to a related party	<i>15</i>	2,197	2,197
Amounts due to directors	<i>15</i>	7,490	6,474
Bank and other borrowings	<i>16</i>	10,622	15,249
		<u>23,953</u>	<u>38,473</u>
Net current liabilities		<u>(23,137)</u>	<u>(21,145)</u>
NET LIABILITIES		<u>(7,368)</u>	<u>(5,991)</u>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	15,480	15,480
Reserves	<i>18</i>	(22,848)	(21,471)
TOTAL EQUITY		<u>(7,368)</u>	<u>(5,991)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

	Six months ended	
	30 June	
<i>Note</i>	2009	2008
	HK\$'000	HK\$'000
Operating activities		
Loss before tax	(1,377)	(1,352)
Adjustments for:		
Interest income	–	(24)
Interest expenses	200	233
Depreciation	28	26
Amortisation of land lease prepayment	175	187
Reversal of impairment loss on land lease prepayment	(837)	(252)
	(1,811)	(1,182)
Operating loss before changes in working capital		
Decrease in trade receivable	14,088	–
Increase in payment in advance	–	(1,410)
Increase in prepayments, deposits and other receivables	(53)	(49)
Decrease in trade payables	(12,077)	–
Increase in receipt in advance	–	1,035
(Decrease)/increase in other payables and accruals	(797)	468
	(650)	(1,138)
Cash used in operation		
Interest received	–	24
Interest paid	(235)	(248)
	(885)	(1,362)
Net cash used in operating activities		
	(885)	(1,362)
Investing activities		
Purchase of office equipment	(3)	–
	(3)	–
Net cash used in investing activities		
	(3)	–
Financing activities		
Proceeds from new trust receipt loans	–	1,260
Repayment of trust receipt loans	(2,000)	(746)
Repayment of other borrowings	(2,627)	(10,636)
Cash advanced from a third party	2,000	–
Cash advanced from directors	1,523	898
Cash repaid to directors	(507)	(85)
	(1,611)	(9,309)
Net cash used in financing activities		
	(1,611)	(9,309)
Net decrease in cash and cash equivalents		
	(2,499)	(10,671)
Cash and cash equivalents at 1 January		
	(7,662)	19,066
Cash and cash equivalents at 30 June		
<i>13</i>	(10,161)	8,395

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to equity shareholders of the Company						Total <i>HK\$'000</i>
	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>	
At 1 January 2009	15,480	50,091	710	445	(165)	(72,552)	(5,991)
Total comprehensive income	—	—	—	—	—	(1,377)	(1,377)
At 30 June 2009	<u>15,480</u>	<u>50,091</u>	<u>710</u>	<u>445</u>	<u>(165)</u>	<u>(73,929)</u>	<u>(7,368)</u>
At 1 January 2008	15,480	50,091	710	445	(165)	(69,181)	(2,620)
Total comprehensive income	—	—	—	—	—	(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>

NOTES TO INTERIM FINANCIAL STATEMENTS

1. General Information

The Company is a publicly listed company incorporated in Bermuda and its 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 address of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the interim report.

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

During the Period, the Group had no revenue generated.

This unaudited interim consolidated financial statements are presented in Hong Kong dollars (“HKD”), which is the same as the functional currency of the Group. This unaudited interim consolidated financial statements was approved for issue on 16 September 2009.

2. Basis of Preparation of Financial Statements

Oriental Surplus Limited

Oriental Surplus Limited (“OSL”) is a wholly-owned subsidiary of the Company incorporated in the British Virgin Island on 2 October 2007. 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 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 revitalize the business of the Group. The loan was secured by a share mortgage in respect of entire issued share capital of OSL.

As mentioned in the Company’s 2008 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 financial statements of the Group.

The Company received a letter 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 on 7 February 2009 and among the dispute over the execution of the Agreement. The said letter also stated that lender is now in possession of all the records and documents including company kit, and is the legal and beneficial owner of the entire share capital of OSL. As at the date of this report, the Company is in the course of verifying details with an aim to ascertain the ownership of OSL. The unaudited financial information of OSL for the six months ended 30 June 2009 was included in the financial statements of the Group based on the available books and records maintained by the Company and OSL.

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 interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial statements have been prepared on a basis consistent with the accounting policies adopted in the annual financial statements for the year ended 31 December 2008, except for the accounting policies changes that are expected to be reflected in its financial statements ending 31 December 2009. Details of these changes in accounting policies are set out below.

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

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

The amendments to HKAS 23, HKAS 27 and Improvements to HKFRSs (2008) have had no material impact of the Group’s financial statements. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial statements. The impact of the remainder of these developments is as follows:

- On 1 January 2009, the Group adopted HKFRS 8, “Operating Segments” (HKFRS 8), which replaced HKAS 14, “Segment reporting” (“HKAS 14”). HKFRS 8 requires disclosure of information about the Group’s operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segment was the same as the business segment previously identified under HKAS 14. The adoption of HKFRS 8 have had no material impact on the Group’s financial statements.
- On 1 January 2009, the Group adopted HKAS 1 (revised), “Presentation of financial statements”. The revised standard aims to improve users’ ability to analyse and compare information given in financial statements.

The adoption of the revised standard has no effect on the results reported in the Group’s consolidated financial statements. It does, however, result in certain presentational changes in the Group’s primary financial statements, including:

- (i) the presentation of all items of income and expenditure in two financial statements, the “Income statement” and “Statement of comprehensive income”;
- (ii) the presentation of the “Statement of changes in equity” as a financial statement, which replaces the “Reserves” note on the financial statements; and
- (iii) the adoption of revised title “Statement of financial position” for the “Balance Sheet”.

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

3. Revenue and Segment Information

(a) *Revenue*

Revenue represents the invoiced value of installation service income rendered and inventories sold, net of discounts and returns.

The Group had no revenue during both periods presented.

(b) *Segment information*

For management purposes, the Group is organized into business units based on their products and services.

(c) *Segment result*

During the Period, the Group was inactive; therefore, no segment result of the Group is presented.

In the Last Period, the Group was principally engaged in provision of installation services of LED screen and façade lighting; therefore, no segment result of the Group was presented.

(d) *Geographic information*

The geographical regions in this analysis are classified by the location of the principal operation of the subsidiary companies. During the periods presented, the Group's business activities were carried out in Hong Kong and all the assets of the Group were located in Hong Kong as at the end of the reporting period.

(e) *Seasonality of operations*

During the Period, the Group was inactive. In the Last Period, the business of provision of installation services of LED screen and façade lighting engaged by the Group was not subject to seasonal fluctuations.

4. Other Income

	Six months ended	
	30 June	
	2009	2008
	HK\$'000	HK\$'000
Interest income	–	24
Over-provision of printing charges in prior years	228	–
Reversal of impairment loss on land lease prepayment	837	252
	<u>1,065</u>	<u>276</u>

5. Finance Costs

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank overdrafts	–	16
Interest on trust receipt loans	9	27
Interest on bank revolving loan	191	190
	<u>200</u>	<u>233</u>

6. Loss Before Tax

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Amortisation of land lease prepayment	175	187
Auditors' remuneration	100	100
Depreciation	28	26
Interest on bank and other borrowings wholly repayable within 5 years	200	233
Staff costs (including directors' remuneration)		
– Salaries, allowances and other benefits	426	557
– Mandatory Provident Fund ("MPF") contributions	19	19
	<u>445</u>	<u>576</u>
	-----	-----
Interest income	–	(24)
Over-provision of printing charges in prior years	(228)	–
Reversal of impairment loss on land lease prepayment	(837)	(252)
	<u>(620)</u>	<u>(226)</u>

7. 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 assessable profit that is subject to Hong Kong or overseas income tax (2008: HK\$Nil).

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

8. Interim Dividend

No dividend was paid or proposed during the Period (2008: HK\$Nil).

9. 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\$1,377,000 (2008: HK\$1,352,000), and on the number of 154,801,160 (2008: 154,801,160) ordinary 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.

10. Property, Plant and Equipment

	2009 <i>HK\$'000</i>
Carrying amount at 1 January 2009	1,891
Additions	3
Depreciation	(28)
	<hr/>
Carrying amount at 30 June 2009	<u>1,866</u>

The Group's leasehold building is situated in Hong Kong and is held on medium term lease.

As at 30 June 2009, the Group's leasehold building with carrying amount of approximately HK\$1,863,000 (31 December 2008: HK\$1,886,000) was pledged to secure general banking facilities as set out in note 16.

11. Land Lease Prepayment

	2009 <i>HK\$'000</i>
Carrying amount at 1 January 2009	13,612
Amortisation	(175)
Reversal of impairment loss	837
	<hr/>
Carrying amount at 30 June 2009	<u>14,274</u>
	2009 <i>HK\$'000</i>
Analysed for reporting purpose as:	
Current asset	371
Non-current asset	13,903
	<hr/>
	<u>14,274</u>

The Group's land lease prepayment is situated in Hong Kong and is held on medium term lease.

As at 30 June 2009, the Group's land lease prepayment with carrying amount of approximately HK\$14,274,000 (31 December 2008: HK\$13,612,000) was pledged to secure general banking facilities as set out in note 16.

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

12. Trade Receivable, prepayments, Deposits and Other Receivables

	Group	
	30 June 2009	31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivable	-	14,088
Prepayments, deposits and other receivables	150	97
<i>Less: Impairment loss on other receivables</i>	(44)	(44)
	<u>106</u>	<u>53</u>
Trade receivable, prepayments, deposits and other receivables	<u>106</u>	<u>14,141</u>

The trade debts of the Group are normally with credit terms of 60 days from the date of billing. At 30 June 2009 and 31 December 2008, the aging analysis of the trade receivable were as follows:

	Group	
	30 June 2009	31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivable		
- within 3 months	<u><u>-</u></u>	<u><u>14,088</u></u>

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

13. Cash and Cash Equivalents

	Group	
	30 June 2009	31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	<u>339</u>	<u>2,838</u>
Cash and cash equivalents in the consolidated statement of financial position	339	2,838
Bank revolving loan with maturity within one month	<u>(10,500)</u>	<u>(10,500)</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>(10,161)</u>	<u>(7,662)</u>

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

14. Trade Payables, Other Payables and Accruals

	Group	
	30 June 2009	31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>466</u>	<u>12,543</u>
Other payables	53	53
Accruals	<u>1,125</u>	<u>1,957</u>
	<u>1,178</u>	<u>2,010</u>
	<u>1,644</u>	<u>14,553</u>

At 30 June 2009 and 31 December 2008, the aging analysis of the trade payables were as follows:

	Group	
	30 June 2009	31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
– within 3 months	–	12,543
– within 3 to 6 months	<u>466</u>	<u>–</u>
	<u>466</u>	<u>12,543</u>

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

15. Amount(s) Due to a Third Party/a Related Party/Directors

The amount(s) due to a third party/a related party/directors are unsecured, interest free and repayable on demand.

16. Interest-bearing Bank and Other Borrowings, Secured

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Bank borrowings:		
Bank revolving loan, secured	10,500	10,500
Trust receipt loans, secured	–	2,000
	<hr/>	<hr/>
	10,500	12,500
Other borrowings:		
Other loan, secured	122	2,749
	<hr/>	<hr/>
Bank borrowings repayable within one year or on demand	<u>10,622</u>	<u>15,249</u>

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

The bank revolving loan and trust receipt loans bear interest at HIBOR plus 3.5% (31 December 2008: HIBOR plus 3.5%) and HIBOR plus 2.5% (31 December 2008: HIBOR plus 2.5%) per annum respectively.

As at 30 June 2009, the bank borrowings facilities of HK\$14,000,000 (31 December 2008: HK\$14,000,000) granted by a banker are secured by the Group's leasehold land and building with an aggregate carrying amount of approximately HK\$16,137,000 (31 December 2008: HK\$15,498,000), jointed and several personnel guarantee to be executed by the director, Mr. Chan Chun Choi and a third party of HK\$14,000,000 (31 December 2008: HK\$14,000,000) plus accrued interest. At the end of the reporting period, the facilities were utilized by the Group to the extent of approximately HK\$10,500,000 (31 December 2008: HK\$12,500,000).

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

17. Share Capital

	30 June 2009		31 December 2008	
	Number of shares	HK\$'000	Number of shares	HK\$'000
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>

18. Reserves

	Share premium account HK\$'000	Contributed surplus [#] HK\$'000	Enterprise expansion fund* HK\$'000	Exchange fluctuation reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2009	50,091	710	445	(165)	(72,552)	(21,471)
Total comprehensive income	—	—	—	—	(1,377)	(1,377)
At 30 June 2009	<u>50,091</u>	<u>710</u>	<u>445</u>	<u>(165)</u>	<u>(73,929)</u>	<u>(22,848)</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.

19. Capital Commitments

At the end of the reporting period, neither the Group nor the Company had any significant capital commitments outstanding.

20. 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 2009 HK\$'000	31 December 2008 HK\$'000
Non-trade balances due to directors	<u>7,490</u>	<u>6,474</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 2009 HK\$'000		2008 HK\$'000
Short-term employee benefits	<u>130</u>		181
Post-employment benefits	<u>6</u>		6
	<u>136</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 decided to place the Company in the third stage of the delisting procedures in accordance with Practice Note 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the Period, 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 on 29 May 2009, the Company submitted a resumption proposal in relation to the resumption of trading in the Company's shares to the Stock Exchange. Upon successfully reorganized, the Group will have adequate resources to continue with sustainable business operations. The Board is confident to bring the Company back profitable track once the trading of the Company's shares is resumed.

Financial Summary

At 30 June 2009, the Group's net current liabilities amounted to HK\$23,137,000 (31 December 2008: HK\$21,145,000) and net liabilities amounted to HK\$7,368,000 (31 December 2008: HK\$5,991,000). At the same day, the Group's cash and bank balances amounted to HK\$339,000 (31 December 2008: HK\$2,838,000).

In terms of liquidity, the current ratio at the end of the Period was 0.03 (31 December 2008: 0.45). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital was 1.55 at 30 June 2009 (31 December 2008: 2.49).

The Group's 2009 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. For the Period, the Directors are not aware of any significant change from the position as at 31 December 2008 and the information published in the report and accounts for the year ended 31 December 2008. 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 arises.
- (iv) The Group is exposed to cash flow interest rate risk primarily arising from bank revolving loan and trust receipt loans which carrying at floating interest rates.

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.

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 2008: nil).

Oriental Surplus Limited

Oriental Surplus Limited (“OSL”) is a wholly-owned subsidiary of the Company incorporated in the British Virgin Island on 2 October 2007. 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 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 revitalize the business of the Group. The loan was secured by a share mortgage in respect of entire issued share capital of OSL.

As mentioned in the Company’s 2008 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 financial statements of the Group.

The Company received a letter 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 on 7 February 2009 and among the dispute over the execution of the Agreement. The said letter also stated that lender is now in possession of all the records and documents including company kit, and is the legal and beneficial owner of the entire share capital of OSL. As at the date of this report, the Company is in the course of verifying details with an aim to ascertain the ownership of OSL. The unaudited financial information of OSL for the six months ended 30 June 2009 was included in the financial statements of the Group based on the available books and records maintained by the Company and OSL.

Pledge of Assets

As at 30 June 2009, the bank borrowings facilities of HK\$14,000,000 (31 December 2008: HK\$14,000,000) granted by a banker are secured by the Group’s leasehold land and building with an aggregate carrying amount of approximately HK\$16,137,000 (31 December 2008: HK\$15,498,000), jointed and several personnel guarantee to be executed by the director, Mr. Chan Chun Choi and a third party of HK\$14,000,000 (31 December 2008: HK\$14,000,000) plus accrued interest. As at 30 June 2009, the facilities were utilized by the Group to the extent of approximately HK\$10,500,000 (31 December 2008: HK\$12,500,000).

The Group borrowed a loan of HK\$30,000,000 pursuant to the loan agreement dated 28 December 2007 from a potential investor. The loan facilities are primarily for the purpose of providing funds for costs and expenses of restructuring in relation to the Agreement 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, OSL, interest free and repayable on demand. As at 30 June 2009, the balance was approximately HK\$122,000 (31 December 2008: HK\$2,749,000).

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 2008: 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 2009 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 2009 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 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 Period amounted to HK\$445,000 (Last Period: HK\$576,000). 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.

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 2008: nil).

Ultimate Holding Company and Substantial Shareholders

The Directors consider the ultimate holding company of the Company at 30 June 2009 to be Winsley.

At the end of the reporting period and as at the date of this report, 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
Au Yu Siu	11,804,000	7.63 per cent

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

Hong Kong, 16 September 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. Hong Po Kui, Martin, Mr. Leung Wai Tat, Henry and Ms. Leung Wai Kei, who are independent non-executive directors.