VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

(the "Company")

ANNUAL REPORT 2010

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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
Leung Wai Tat, Henry
Leung Wai Kei
Ip Ka Keung
(appointed on 18 January 2010)
Lam King Hang
(appointed on 1 June 2010)
Hong Po Kui, Martin
(resigned on 11 January 2010)

AUDIT COMMITTEE
Leung Wai Kei *(Chairman)*
Ip Ka Keung
Leung Wai Tat, Henry
Lam King Hang

REMUNERATION COMMITTEE
Lam King Hang *(Chairman)*
Ip Ka Keung
Leung Wai Tat, Henry
Leung Wai Kei

NOMINATION COMMITTEE
Ip Ka Keung *(Chairman)*
Leung Wai Tat, Henry
Leung Wai Kei
Lam King Hang

COMPANY SECRETARY
Joshua Lee *FCCA CPA*

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
Lo and Kwong C.P.A. Company Limited
Suites 216-218, 2/F Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Securities Services (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

STOCK CODE
1139

EXECUTIVE DIRECTORS

Mr. Chan Chun Choi, aged 65, is the chairman and managing director of the Company. Mr. Chan, together with his ex-wife, Madam Lam Mo Kuen, Anna, founded Victory Group Limited (the "Company") in mid-1980s. Mr. Chan has been engaged in the distribution and marketing of automotive products for over 26 years, principally in the People's Republic of China (the "PRC"). Mr. Chan is responsible for the strategic planning and business development of the Company and its subsidiaries (together the "Group"). Mr. Chan had been a member of the Consultative Conference of Guangdong Province, a committee member of the China Council for the Promotion of Peaceful National Reunification, an honorary citizen of Jiangmen and Enping, the PRC, and the honorary chairman of the Federation of Hong Kong Guangdong Community Organization Limited. Save as disclosed above, Mr. Chan did not act as a director in any other listed public company in the last three years.

Ms. Lu Su Hua, aged 41, was graduated from the Beijing Foreign Studies University in 1999, and in 2003 Ms. Lu obtained her MBA degree from the University of Ballarat in Australia. Ms. Lu was appointed executive director of the Company on 6 October 2003. Ms. Lu is the spouse of Mr. Chan Chun Choi. Save as disclosed above, Ms. Lu did not act as a director in any other listed public company in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wai Tat, Henry, aged 61, a practicing engineer and has been a director of Honesty Consultants Limited. He had held positions such as Managing Director of an international engineering consulting company for 15 years, and had worked with contractors, consultants and government for over 35 years. He was a Hong Kong University graduate in 1973.

Ms. Leung Wai Kei, aged 45, a member of Hong Kong Institute of Certified Public Accountants, and graduated from The Curtin University of Technology with a Master of Accounting. She has worked in different industries and has over 24 years of experience in the accounting field.

Mr. Ip Ka Keung, aged 42, has been working in the fund industry for a number of years. Having qualified with a big four accountancy firm in London in the nineties and worked for their Hong Kong office specializing in audit, due diligence and initial public offering work for listed, multi-national and clients from China. Mr. Ip joined the legal division of a major Hong Kong Blue Chip company and managed their Regulatory Affairs function thereafter. Mr. Ip was also the Chief Financial Officer and the Head of Compliance of a Securities and Future Commission licensed Hong Kong asset management company as well as an associate director of a transaction services department of an international accountancy firm. Mr. Ip holds an honors bachelor degree in Accounting and Finance and a LLB honors degree from the London University. Mr. Ip is a Certified Public Accountant, a Fellow member of Chartered Certified Accountant and a member of Hong Kong and U.S. Society of Financial Analyst. He is also currently a member of the Hong Kong Institute of Directors.

Dr. Lam King Hang, aged 40, received his bachelor degree in Electrical Energy Systems Engineering from the University of Hong Kong in 1994. He worked in the Building Services industry after graduation and returned to the Alma Mater for joining the HKU Photovoltaic research team in 1998. His research focus is on Photovoltaic applications in Hong Kong. In 2007, he received his Ph D in Architecture at The University of Hong Kong and is now working as a Senior Manager in a Solar Energy company. In 2009, he was appointed as Honorary Lecturer for teaching the MSc course at the University of Hong Kong.

Dear Shareholders,

I hereby present the annual report for the year ended 31 December 2010 of Victory Group Limited and its subsidiaries (collectively referred to as the "Group") on behalf of the Board of Directors.

FINANCIAL REVIEW HIGHLIGHT

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

The Board did not recommend to pay any dividend for the year ended 31 December 2010 (2009: Nil).

BUSINESS REVIEW

During the year under review, the principal activity is investment holding and property holding. Same as previous financial years, the Company will continue to exercise stringent cost control under limited funding situation. Furthermore, the Board will use its best endeavors to look for new business opportunities and investment opportunities with an aim to broadening the Group's revenue stream and turning the bottom-line around.

As stated in the 2009 result announcement of the Company, trading of the Company's shares has been suspended since 27 September 2006. On 18 December 2008, the Listing Committee of The Stock Exchange of Hong Kong Limited (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 year 2010, the Directors had been actively looking for business opportunities and potential acquisitions which could improve the Company's financial and operating performance.

During the year 2010, the Board had been restructured, the Company submitted further information in relation to the resumption of trading in the Company's shares to the Stock Exchange. Upon successfully reorganized, the Group will have adequate resources to continue with sustainable business operations. As of the date of this report, the said resumptions proposal is still under review by the Stock Exchange, the Board is confident to bring the Company back profitable once the trading of the Company's shares is resumed.

During the year under review, the Board comprised Mr. Chan Chun Choi and Ms. Lu Su Hua as executive directors; Mr. Leung Wai Tat, Henry, Ms. Leung Wai Kei, Mr. Ip Ka Keung and Dr. Lam King Hang as independent non-executive directors.

APPRECIATION

I would like to express sincere thanks to all our management and staff for their contribution and commitment. On behalf of the Board, I would also like to take this opportunity to thank our shareholders, professional advisors for their encouragement and support.

By Order of the Board
Chan Chun Choi
Chairman and Managing Director

Hong Kong, 30 March 2011

RESULTS

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

BUSINESS REVIEW

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

During the year under review, the Group's overall running cost had been sustained at its minimal level through the strict cost control measures. The human resources had also been maintained at the least possible status to generate maximum productivity. In brief, the cost structure of the Group has always been successfully locked at the least possible efficient level.

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

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group in 2010 was 0.01 (2009: 0.04). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital was 2.10 (2009: 1.74). Details of the Group's exposure to credit risk, liquidity risk, currency risk, interest rate risk and any related hedges are stated in note 7 to this financial statements.

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

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

SUSPENSION OF TRADING

As stated in the 2009 result announcement of the Company, trading of the Company's shares has been suspended since 27 September 2006. On 18 December 2008, the Listing Committee of the Stock Exchange decided to place the Company in the third stage of the delisting procedures in accordance with Practice Note 17 of the Listing Rules. The Company had submitted a resumption proposal on 29 May 2009 and further information during the year 2010 in relation to the resumption of trading in the Company's shares to the Stock Exchange.

FUTURE OUTLOOK

During the year 2010, the Board had been restructured, the Company submitted further information in relation to the resumption of trading in the Company's shares to the Stock Exchange. The Board will use its best endeavors to look for new business and investment opportunities with an aim to broadening the Group's revenue stream and turning the bottom-line around. Upon successfully reorganized, the Group will have adequate resources to continue with sustainable business operations. The Board is confident to bring the Company back profitable once the trading of the Company's shares is resumed.

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and property holding. During the year, the Group had no revenue generated. In 2008, the Group was principally engaged in the provision of installation services of LED screen and facade lighting. In 2007, the Group was principally engaged in marketing and distribution of automotive products.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 27 to 71.

No dividends had been paid or declared by the Company for both years presented.

SEGMENTAL INFORMATION

For both years presented, the Group was inactive and had no revenue.

SUMMARY FINANCIAL INFORMATION

The results, assets and liabilities of the Group for the last five financial years are summarised on page 72. This summary is not part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND LAND LEASE PREPAYMENT

Details of movements in property, plant and equipment and land lease prepayment of the Group are set out in notes 17 and 18 to the financial statements respectively.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 32 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 23 to the financial statements.

RETIREMENT SCHEME

The Group has implemented a provident fund scheme for its staff in compliance with requirements of the Mandatory Provident Fund ("MPF") Schemes Ordinance from 1 December 2000. The Company contributed according to the minimum requirements of the MPF Ordinance (that is, 5 per cent of staffs' relevant income with maximum limit of HK$1,000) and the contributions are charged to the income statement.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the Company's share capital, warrants and share options during the year and subsequent to the balance sheet date, together with the reasons for the issue thereof, are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

(a) The Group

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Enterprise expansion fund *HK$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2009	50,091	710	445	(165)	(72,552)	(21,471)
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(4,017)	(4,017)
At 31 December 2009 and 1 January 2010	50,091	710	445	(165)	(76,569)	(25,488)
Loss for the year	–	–	–	–	(6,492)	(6,492)
Other comprehensive (expense) income for the year	–	–	(445)	165	280	–
Total comprehensive (expense) income for the year	–	–	(445)	165	(6,212)	(6,492)
At 31 December 2010	**50,091**	**710**	**–**	**–**	**(82,781)**	**(31,980)**

(b) The Company

The amounts of the Company's reserves and the movements therein for the current and prior year are presented in the note 33(c) to the financial statements on page 71.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company had no reserves available for cash distribution and distribution in specie computed in accordance with the Companies Act 1981 of Bermuda except for the Company's share premium account which may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda, the Company may make distributions from its contributed surplus in certain circumstances, prescribed by Section 54 thereof, which the Company was unable to satisfy as at 31 December 2010.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Company and the Group as at 31 December 2010 are set out in note 28 to the financial statements.

SIGNIFICANT ISSUES

During the years presented, there were no significant investments and material acquisitions or disposals of subsidiaries or associated companies. The Group had no exposure to fluctuation in exchange rates and any related hedges. Furthermore, the Company and the Group had no significant commitments during both years presented.

There was also no material change in capital structure and pledge of assets of the Group during the two years presented.

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

RELATED PARTY TRANSACTIONS

Except for the disclosure in the note 29 to financial statements, there were no related party transactions in the year under review.

EMPLOYEES

As at 31 December 2010, the Group had a total of 6 employees (2009: 6 employees), of whom all were based in Hong Kong. The remuneration package for Hong Kong staff was strictly on a monthly-salary basis. Year-end bonus was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs for the year amounted to HK$1,132,000 (2009: HK$1,141,000). 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 MPF in December 2000. The Group has a share option 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 have been granted since the approval of the scheme.

PLEDGE OF ASSETS

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

During the year ended 31 December 2007, the Group borrowed a loan of HK$30,000,000 from a potential investor. The loan facilities are primarily for the purpose of providing funds for costs and expenses of restructuring in relation to the Agreement for the Implementation of a Restructuring Proposal dated 9 November 2007 and as working capital to revitalise the business of the Group. Pursuant to the loan agreement dated 28 December 2007, the loan is secured by a share mortgage in respect of entire issued shares capital in a wholly-owned subsidiary of the Company, Oriental Surplus Limited ("OSL"), interest free and repayable on demand. As at 31 December 2009, the above captioned loan balance was approximately HK$122,000. The Company received 2 letters dated 4 September 2009 from the legal advisors of the said lender, informing the Company that the entire share capital in OSL has been transferred to the lender and without settlement among the dispute over the execution of the Agreement between the Company and the lender. The said letter also stated that the lender is now in procession of all the records and documents including company kit, and is the legal and beneficial owner of the entire share capital of OSL.

The Group borrowed addition loan of HK$2,000,000 (2009: HK$8,000,000) pursuant to several loan agreements from a third party for general business purpose. The loan and the interest thereon is secured by a second legal charge over the Group's leasehold land and building with an aggregate carrying amount of approximately HK$15,881,000 (2009: HK$16,310,000). At 31 December 2010, the balance was HK$10,000,000 (2009: HK$8,000,000).

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

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

PROPERTY VALUATION

A property valuation had been carried out by Ascents Partners Transaction Service Ltd, an independent professional valuer, in respect of the Group's land lease prepayment and building. The Group's land lease prepayment and building were valued at HK$21,940,000 and HK$2,760,000 respectively giving no impairment loss on land lease prepayment (2009: Reversal of impairment loss on land lease prepayment of HK$1,209,000).

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year, there were no material acquisitions and disposals of the Company's subsidiaries.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Chan Chun Choi	*(Chairman and Managing Director)*
Lu Su Hua	*(Deputy Chairman)*

Independent non-executive Directors:

Leung Wai Tat, Henry	
Leung Wai Kei	
Ip Ka Keung	(appointed on 18 January 2010)
Lam King Hang	(appointed on 1 June 2010)
Hong Po Kui, Martin	(resigned on 11 January 2010)

In accordance with clause 87(1) of the Company's bye-laws, Mr. Leung Wai Tat, Henry, will retire, and not to offer himself for re-election at the 2011 AGM. Dr. Lam King Hang, shall retire in accordance with clauses 86(2) of the Company's bye-laws and, being eligible, will offer himself for re-election at the forthcoming annual general meeting on 3 June 2011.

DIRECTORS BIOGRAPHIES

Biographical details of the Directors are set out on pages 3 to 4 of this report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of the Directors and the five highest paid individuals in the Group are set out in note 14 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

All Directors (except for the independent non-executive directors) had entered service contracts with the Company for an initial term of two years. Every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the related party transactions as disclosed in the note 29 to the financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

MANAGEMENT CONTRACTS

Except for those as disclosed in note 29 to the financial statements, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

The Company operates a share option scheme for the purpose of providing incentives and rewards to employees including the executive directors of the Company and its subsidiaries of the Group ("Eligible Participants") who contribute to the success of the Group's operations.

On 22 January 1998, the Company conditionally approved a share option scheme ("the Scheme") under which the Directors may, at their discretion, grant options to Eligible Participants, to subscribe for shares of the Company during the 10 years from its date of approval. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 16 February 1998 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. No options have been granted since the approval of the Scheme. The Scheme was lapsed on 21 January 2008.

Subsequent to the adoption of the Scheme on 22 January 1998, the Stock Exchange introduced a number of changes to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on the Scheme. These new rules came into effect on 1 September 2001. Since then no share options have been granted under the Scheme. However, any option to be granted in the future under the Scheme shall be subject to the new changes which include, inter alia, the following:

(a) the maximum number of shares issuable under share options to each Eligible Participant within any 12-month period is limited to 1 per cent of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;

(b) share options granted to a Director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by independent non-executive Directors; and

(c) the exercise price of share options is determined by Directors, but may not be less than the higher of: (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant.

Under the existing Scheme, the Directors may at their discretion grant options at $1.00 per option to Eligible Participants to subscribe for shares at a price calculated in accordance with paragraph below.

The subscription price of the options may be determined by the Directors and shall be the higher of the nominal value of a share and 80 per cent of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options. The maximum number of shares over which options may be granted must not exceed 10 per cent of the issued share capital of the Company from time to time, excluding for this purpose shares issued pursuant to the Scheme. No options may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25 per cent of the aggregate number of shares subject to the Scheme, at the time it is proposed to grant the relevant option to such person.

Other than the share option scheme as described above, at no time during the year was the Company, or its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL OF THE COMPANY (OUTSTANDING)

At the balance sheet date, the interests of the Directors and chief executives of the Company in the share capital of the Company and its associated corporations, as recorded in the register required to be kept by the Company under Section 352 of the Securities and Future Ordinance (the "SFO"), or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(i) The Company

Name of Directors	Number of shares held (other interest)
Chan Chun Choi	43,337,758

(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 Chun Choi ("Mr. Chan"). Mr. Chan holds all the issued share of EVEI; and

(ii) 36,500,000 shares are held by Winsley Investment Limited ("Winsley").

(ii) Associated Corporation

Name of associated corporation	Name of Directors	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 Wazi LED Lighting Limited (formerly known as Victory Petro Chemical Limited and Kwong Hung Hing Enterprises Co. Limited) of which Mr. Chan and Mr. Chan Kingsley Chiu Yin 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.

ULTIMATE HOLDING COMPANY AND SUBSTANTIAL SHAREHOLDERS

The Directors consider the ultimate holding company of the Company at the balances sheet date 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 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
Au Yu Siu	11,804,000	7.63 per cent

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Lo and Kwong C.P.A. Company Limited as auditor of the Company.

APPRECIATION

Although the operating results for the financial year under review were again unsatisfactory, the Company and its Board believe that more efforts must be required to overturn the performance in the challenging years ahead. In the mean time, the Board would like to thank all the staff for their hard work and hope to have their continuous support and patience in the attempt of making future years success.

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

Hong Kong, 30 March 2011

This report is a product of the Company's compliance with all relevant recommendations laid down in the "Corporate Governance Report" as set out in Appendix 23 of the Listing Rules.

The Company is committed to exercising 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 year 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 2010 Annual Report.

THE BOARD OF DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Chan Chun Choi *(Chairman and Managing Director)*
Lu Su Hua *(Deputy Chairman)*

Independent non-executive Directors:

Leung Wai Tat, Henry	
Leung Wai Kei	
Ip Ka Keung	(appointed on 18 January 2010)
Lam King Hang	(appointed on 1 June 2010)
Hong Po Kui, Martin	(resigned on 11 January 2010)

Lu Su Hua is the spouse of Mr. Chan Chun Choi.

The Board consists of a good mix of expertise, knowledge, experience and skills, the essential abilities to guide the 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 four independent non-executive Directors ("INEDs"), Ms. Leung Wai Kei and Mr. Ip Ka Keung (appointed on 18 January 2010) possess 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 Company has received, from each of its INEDs, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company therefore considers that all INEDs are independent.

The bye-laws of the Company (the "Bye-laws") allow board meetings to be conducted by way of telephone or video conference 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.

During the year, six board meetings were held and the attendance summary is as below:

Name of Director	Number of attendance	Attendance rate
Chan Chun Choi	6	100%
Lu Su Hua	6	100%
Leung Wai Tat, Henry	3	50%
Leung Wai Kei	4	75%
Ip Ka Keung	3	50%
Lam King Hang	1	17%

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. Mr. Leung Wai Tat, Henry would retire from his office and not to offer himself for re-election at the Company's 2011 AGM. In accordance with clause 86(2) of the Bye-laws, Dr. Lam King Hang would retire from his office and offer himself for re-election at the Company's upcoming annual general meeting.

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. The Chairman solely oversees the functions of the Board and the management team takes responsibility for the Group's day-to-day business operations.

INTERNAL CONTROL

The Board ensures the maintenance of sound and effective internal controls to safeguard the Shareholders' investment and the assets of the Company. The Board also considered that there was room for improvement upon the finalization of the 2010 audit. The Company has on 22 November 2010 established an internal audit department.

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 year and satisfied that all Directors had fully complied with the required standard set out in the Model Code.

AUDITOR'S REMUNERATION

During the financial year, fees paid/payable to Lo and Kwong C.P.A. Company Limited, the auditor of the Company (the "Auditor") for audit services was HK$200,000 and for non-audit service was HK$770,000.

AUDIT COMMITTEE

The Audit Committee comprises members who are the INEDs with a rotational chairmanship structure. The composition and member of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference, which describe the authority and duties of the Audit Committee, were adopted since its establishment and had been amended to conform to the provisions of the Code.

The Audit Committee provides the following consultative services to the Board:

- reviewing and monitoring audit process, financial reporting, internal controls, risk management system, and accounting policies and practices;
- deciding the appointment and terms of engagement of external auditors; and
- involving in the decision making for all non-audit engagements.

The Audit Committee convenes meetings to review with management the accounting principles and practices adopted by the Group and all other matters within the scope of its terms of reference and the maintenance of the independence and objectivity of the external auditors. For the audit of 2010 accounts, the existing Committee members satisfy with the performance by the Auditor, who presented the implications of those accounting standards enforceable in this and subsequent financial years to the Audit Committee.

The Group's 2010 audited financial statements had been duly reviewed by the Audit Committee with management and the Auditor. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of the Auditor and therefore recommends the Board that the Auditor be re-appointed as our auditor in the Company's upcoming annual general meeting.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2010 consolidated financial statements of the Company, the Directors, both collectively and individually, applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

During the year, two Audit Committee meetings were held and the attendance summary is as below:

Name of Director	Number of attendance	Attendance rate
Leung Wai Tat, Henry	1	50%
Leung Wai Kei	2	100%
Ip Ka Keung	2	100%
Lam King Hang	1	50%

During 11 January 2010 to 17 January 2010, the Company was not in compliance with Rule 3.10 of the Listing Rules regarding the minimum number of independent non-executive Directors during that period. The Company has appointed sufficient number of independent non-executive Directors afterward.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established in January 2005 with specific terms of reference. The Remuneration Committee members are all the INEDs with a rotational chairmanship structure. The Remuneration Committee provides objective opinions in helping the Group formulating remuneration policies, especially for those involving Directors or senior management. Moreover, the Remuneration Committee ensures that no conflicting parties are involved in the decision process of committing remuneration packages. In short, the objective of this Remuneration Committee is to assure that the Group is able to attract, retain, and motivate a high-caliber management team which is essential to the future of the Company.

If a Director's emolument were to be determined, the Remuneration Committee would certainly consider various factors, including market comparability, complexity of duties, and the performance expectation.

The Remuneration Committee convenes meetings when necessary.

The remuneration package for Hong Kong staff is strictly on a monthly-salary basis. Year-end bonus is 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.

The Group does not operate any pension or retirement schemes for its Directors or employees until the implementation of the MPF Ordinance in late 2000. The Group has a share options scheme, which was 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.

Due to its unfavorable performance over years, the Group offered no benefits of any kind, except the employer's contribution to MPF, to its directors and staff in 2010.

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

	Director's Fees 2010	**Salaries, allowances and benefits in kind 2010**	**Contributions to pension scheme 2010**	**Total 2010**	**Total 2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Chan Chun Choi	–	11	11	22	24
Ms. Lu Su Hua	100	–	–	100	100
Sub-total	100	11	11	122	124

	Director's Fees 2010 *HK$'000*	Salaries, allowances and benefits in kind 2010 *HK$'000*	Contributions to pension scheme 2010 *HK$'000*	Total 2010 *HK$'000*	Total 2009 *HK$'000*
Independent non-executive directors					
Mr. Leung Wai Tat (appointed on 2 February 2009)	100	–	–	100	91
Ms. Leung Wai Kei (appointed on 3 April 2009)	100	–	–	100	75
Mr. Ip Ka Keung (appointed on 18 January 2010)	95	–	–	95	–
Dr. Lam King Hang (appointed on 1 June 2010)	29	–	–	29	–
Mr. Hong Po Kui, Martin (appointed on 10 June 2009 and resigned on 11 January 2010)	–	–	–	–	84
Mr. Wong Ka Hing (appointed on 2 February 2009 and resigned on 10 June 2009)	–	–	–	–	–
Sub-total	324	–	–	324	250
Total	424	11	11	446	374

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:

	2010 Number of Directors	**2009 Number of Directors**
Nil – HK$1,000,000	7	6

TO THE MEMBERS OF VICTORY GROUP LIMITED
(incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statement of Victory Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 27 to 71, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for disclaimer of opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

a. Fundamental uncertainty relating to the going concern basis

The Group incurred a loss for the year ended 31 December 2010 of approximately HK$6,492,000 and, as at 31 December 2010, the Group reported consolidated net current liabilities and net liabilities of approximately HK$32,011,000 and HK$16,500,000 respectively. In forming our opinion, we have considered the adequacy of the disclosures made in Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statement have been prepared. As detailed in Note 2 to the consolidated financial statements, the Group is currently undertaking a number of measures to improve its financial and current liquidity position.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group's funding plans, the continuous support from the Group's existing bankers and extension of the loans from the potential investor and the attainment of profitable and positive cash flow operation of the Group to meet the Group's future working capital and financial requirements. The consolidated financial statements do not include any adjustments that may be necessary should the implementation of such measures be unsuccessful. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we consider that this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

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

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

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

c. Scope limitation – Deconsolidation of a subsidiary

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

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

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

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

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

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

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion section, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

LO AND KWONG C.P.A. COMPANY LIMITED
Certified Public Accountants (Practising)
Chan Chi Kei Ronald
Practising Certificate Number: P04255

Suites 216-218, 2/F., Shui On Centre,
6-8 Harbour Road,
Wan Chai,
Hong Kong
30 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	**2010** *HK$'000*	**2009** *HK$'000*
Revenue	*8*	–	–
Other income	*9*	54	1,575
Loss on deconsolidation of a subsidiary	*26*	(25)	–
Administrative expenses		(5,432)	(5,201)
Loss from operations		(5,403)	(3,626)
Finance costs	*10*	(1,089)	(391)
Loss before taxation		(6,492)	(4,017)
Income tax expense	*11*	–	–
Loss for the year	*12*	(6,492)	(4,017)
Loss per share – Basic and diluted	*16*		
Basic		(4.19 cents)	(2.60 cents)
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010	2009
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	1,801	1,841
Prepaid lease payments	18	13,710	14,091
		15,511	15,932
CURRENT ASSETS			
Prepaid lease payments	18	381	381
Deposits and other receivables	19	58	47
Bank balances and cash	20	19	549
		458	977
CURRENT LIABILITIES			
Trade payables	21	100	100
Other payables and accruals	21	4,198	1,531
Amount due to a related party	22	–	2,197
Amounts due to directors	22	4,764	4,467
Bank overdrafts	20	2,272	–
Bank and other borrowings	23	21,135	18,622
		32,469	26,917
NET CURRENT LIABILITIES		(32,011)	(25,940)
TOTAL ASSETS LESS CURRENT LIABILITIES		(16,500)	(10,008)
CAPITAL AND RESERVES			
Share capital	25	15,480	15,480
Reserves		(31,980)	(25,488)
		(16,500)	(10,008)

The consolidated financial statements on pages 27 to 71 were approved and authorised for issue by the Board of Directors on 30 March 2011 and are signed on its behalf by:

Chan Chun Choi	**Lu Su Hua**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital	Share premium	Contributed surplus	Enterprise expansion fund	Translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 25)		*(Note a)*	*(Note b)*			
At 1 January 2009	15,480	50,091	710	445	(165)	(72,552)	(5,991)
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	–	(4,017)	(4,017)
At 31 December 2009 and 1 January 2010	15,480	50,091	710	445	(165)	(76,569)	(10,008)
Loss for the year	–	–	–	–	–	(6,492)	(6,492)
Other comprehensive (expense) income for the year	–	–	–	(445)	165	280	–
Total comprehensive (expense) income for the year	–	–	–	(445)	165	(6,212)	(6,492)
At 31 December 2010	15,480	50,091	710	–	–	(82,781)	(16,500)

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	(6,492)	(4,017)
Adjustments for:		
Interest expenses	1,089	391
Depreciation of property, plant and equipment	55	53
Loss on deconsolidation of a subsidiary	25	–
Amortisation of prepaid lease payments	381	349
Reversal of impairment loss on prepaid lease payments	–	(1,209)
Operating cash flows before movements in working capital	(4,942)	(4,433)
Decrease in trade receivables	–	14,088
(Increase) decrease in deposits and other receivables	(11)	6
Decrease in trade payables	–	(12,443)
Increase (decrease) in other payables and accruals	470	(439)
Increase in amounts due to directors	297	–
Cash used in operations	(4,186)	(3,221)
Income tax paid	–	–
NET CASH USED IN OPERATING ACTIVITIES	(4,186)	(3,221)
INVESTING ACTIVITY		
Purchases of property, plant and equipment	(15)	(3)
Net cash outflow from deconsolidation of a subsidiary	(147)	–
NET CASH USED IN INVESTING ACTIVITY	(162)	(3)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2010	2009
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Interest paid	(454)	(431)
Repayment of trust receipt loans	–	(2,000)
Repayment of other borrowings	–	(2,627)
Proceeds from other borrowings	2,000	5,960
Cash advance from directors	–	3,090
Cash repaid to directors	–	(3,057)
NET CASH FROM FINANCING ACTIVITIES	1,546	935
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,802)	(2,289)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	(9,951)	(7,662)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	(12,753)	(9,951)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Represented by:		
Bank balances and cash	19	549
Bank overdrafts	(2,272)	–
Bank revolving loan	(10,500)	(10,500)
	(12,753)	(9,951)

For the year ended 31 December 2010

1. GENERAL INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Going concern

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

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

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

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

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

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

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

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

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

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

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

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

The net effect of deconsolidation of OSL is detailed in Note 26 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain prepaid lease payments and financial instruments that are measured at revalued amount or fair value, as explained in the accounting policies set out below.

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entitles controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

4.2 Revenue recognition

Revenue is recognised 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:

Installation service income is recognised when the services are rendered.

Revenue from sale of goods is recognised 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.

Bank interest income is accrued using the effective interest method.

4.3 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.4 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

From 1 January 2010 onwards, on the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

4.5 Retirement benefit costs and short-term employee benefits

(a) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (''MPF'') and state-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

(b) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liabilities for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4.7 Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.8 Prepaid lease payments

Prepaid lease payments under operating leases are up-front payments to acquire long term interest in lessee-occupied properties. Prepaid lease payments are stated at cost less accumulated amortisation and any impairment, and are amortised over the remaining lease terms on the straight-line basis to profit or loss.

4.9 Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4.10 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

4.11 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate the exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accruals, amount to a related party, amounts due to directors, bank overdrafts and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset expire or, the financial asset are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.12 Bank balances and cash

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired. Bank overdrafts and bank revolving loan that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

4.13 Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deduced from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

4.14 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying the entity's accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Going concern consideration

The assessment of the going concern assumptions involve making judgement by the Directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors of the Company considers that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in Note 2.

Key sources of estimation uncertainty

(a) Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. When the actual useful lives of property, plant and equipment due to the change of commercial environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down for future periods.

(b) Impairment losses for property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based in value-in-use calculations. These calculations require the use of estimates. No impairment loss in respect of property, plant and equipment was recognised for the years ended 31 December 2010 and 2009.

(c) Estimated impairment for receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectability and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the collateral security. If the financial conditions of the borrowers of the Group deteriorate, resulting in impairment of their ability to make repayments, additional provision may be required. If the financial conditions of the borrowers of the Group, on whose account provision for impairment has been made, are improved and no impairment of their ability to make payments were noted, reversal of provision for impairment may be required.

(d) Estimation of fair value of prepaid lease payments

Prepaid lease payments were revalued as at 31 December 2010 based on the appraised market value by independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discounts rates, expected future market rents and future maintenance costs.

6. FINANCIAL INSTRUMENTS

Categories of financial instrument:

(i) Financial assets

	2010	**2009**
	HK$'000	*HK$'000*
Deposits and other receivables	58	47
Bank balances and cash	19	549
	77	596

(ii) Financial liabilities

	2010	2009
	HK$'000	*HK$'000*
Current liabilities		
Trade payables	100	100
Other payables and accruals	4,198	1,517
Amount due to a related party	–	2,197
Amounts due to directors	4,764	4,467
Bank overdrafts	2,272	–
Bank and other borrowings	21,135	18,622
	32,469	26,903

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including deposits and other receivables, bank balances and cash, trade payables, other payables and accruals, amount due to a related party, amounts due to directors and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risks and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency risk

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars ("HKD"). The Group's foreign currencies are mainly Japanese Yen ("JPY") and United States dollars ("USD"). The Group has bank balances and cash denominated in JPY while there are certain liabilities denominated in USD.

The carrying amounts of the Group's foreign currencies which denominated monetary assets and monetary liabilities at the end of the reporting date are as follows:

	2010	2009
	HK$'000	*HK$'000*
Net financial assets (liabilities)		
USD	–	(23)
JPY	11	17
	11	(6)

The Group currently does not have foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

In the opinion of the management, since HKD is pegged to USD, the exposure to exchange fluctuation is limited and hence no sensitivity analysis in related to HKD against USD is presented. The Group therefore mainly exposes to the currencies of JPY.

The following table details the Group's sensitivity analysis, the analysis assumes a 5% increase or decrease in JPY against the HKD, with all other variable held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates until the next reporting period. The sensitivity analysis includes only outstanding items denominated in foreign currencies other than the functional currencies of the group entities and adjusts their translation at the year end for a 5% change in foreign currency rates.

	JPY Impact	
	2010	**2009**
	HK$'000	*HK$'000*
Loss before taxation	1	1

(b) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings arising from other loans. The Group historically has not used any financial instrument to hedge potential fluctuations in interest rates.

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

(c) Credit risk

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

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

In the management of the liquidity risk, the Group monitors its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from the Group's bankers to meet its liquidity requirements.

At 31 December 2010, the Group is exposed to liquidity risk as the Group had net current liabilities and net liabilities of approximately HK$32,011,000 (2009: HK$25,940,000) and HK$16,500,000 (2009: HK$10,008,000) respectively. The liquidity of the Group is primarily depends upon the successful outcome of the Group's funding plans, the continuous support from the Group's existing bankers and extension of the loans from the potential investor and the attainment of profitable and positive cash flow operation of the Group to meet the Group's future working capital and financial requirements. Details of which are set out in Note 2 to the consolidated financial statements.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank borrowings with a repayment on demand clause are included in the earlier time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate	Within 1 year or on demand	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*
2010				
Trade payables	–	100	100	100
Other payables and accruals	–	4,198	4,198	4,198
Amounts due to directors	–	4,764	4,764	4,764
Bank overdrafts	5.25	2,272	2,272	2,272
Bank and other borrowings:				
– Bank revolving loan	3.64	10,882	10,882	10,500
– Other loans	12	11,200	11,200	10,635
		33,416	33,416	32,469

	Weighted average interest rate	Within 1 year or on demand	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*
2009				
Trade payables	–	100	100	100
Other payables and accruals	–	1,517	1,517	1,517
Amount due to a related party	–	2,197	2,197	2,197
Amounts due to directors	–	4,467	4,467	4,467
Bank and other borrowings:				
– Bank revolving loan	3.62	10,595	10,595	10,500
– Other loans	–	8,122	8,122	8,122
		26,998	26,998	26,903

(e) Fair values

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term maturities.

8. REVENUE

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

9. OTHER INCOME

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

10. FINANCE COSTS

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

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

11. INCOME TAX EXPENSE

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

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

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

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

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

12. LOSS FOR THE YEAR

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

	2010 *HK$'000*	2009 *HK$'000*
Auditor's remuneration		
– Audit services	200	150
– Other services	770	100
	970	250
Amortisation of prepaid lease payments	381	349
Depreciation of property, plant and equipment	55	53
Loss on deconsolidation of a subsidiary	25	–
Interest on bank and other borrowings wholly repayable within five years	1,089	391
Staff costs (including directors' emoluments – Note 14)		
– Salaries, allowances and benefits in kind	1,094	1,098
– Contributions to pension scheme	41	43
– Over-provision for annual leave payments	(3)	–
	1,132	1,141
Discount received from a trade creditor	–	(366)
Reversal of impairment loss on prepaid lease payments	–	(1,209)

13. EMPLOYEES' EMOLUMENTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 *HK$'000*	2009 *HK$'000*
Salaries, allowances and benefits in kind	1,094	1,098
Contributions to pension scheme	41	43
Over-provision for annual leave payments	(3)	–
	1,132	1,141

14. DIRECTORS' AND EMPLOYEES' EMOLUMENT

(a) Directors' emolument

The emoluments paid or payable to each of seven (2009: six) directors were as follow:

2010	Fees	Salaries, allowances and benefits in kind	Contributions to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Chan Chun Choi	–	11	11	22
Ms. Lu Su Hua	100	–	–	100
Sub-total	100	11	11	122
Independent non-executive directors				
Mr. Leung Wai Tat *(Note i)*	100	–	–	100
Ms. Leung Wai Kei *(Note ii)*	100	–	–	100
Mr. Ip Ka Keung *(Note iii)*	95	–	–	95
Dr. Lam King Hang *(Note iv)*	29	–	–	29
Mr. Hong Po Kui, Martin *(Note v)*	–	–	–	–
Sub-total	324	–	–	324
Total	424	11	11	446

2009	Fees	Salaries, allowances and benefits in kind	Contributions to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Chan Chun Choi	–	12	12	24
Ms. Lu Su Hua	100	–	–	100
Sub-total	100	12	12	124
Independent non-executive directors				
Mr. Leung Wai Tat *(Note i)*	91	–	–	91
Ms. Leung Wai Kei *(Note ii)*	75	–	–	75
Mr. Hong Po Kui, Martin *(Note v)*	84	–	–	84
Mr. Wong Ka Hing *(Note vi)*	–	–	–	–
Sub-total	250	–	–	250
Total	350	12	12	374

Notes:

i) Mr. Leung Wai Tat was appointed on 2 February 2009.

ii) Ms. Leung Wai Kei was appointed on 3 April 2009.

iii) Mr. Ip Ka Keung was appointed on 18 January 2010.

iv) Dr. Lam King Hang was appointed on 1 June 2010.

v) Mr. Hong Po Kui, Martin was appointed on 10 June 2009 and resigned on 11 January 2010.

vi) Mr. Wong Ka Hing was appointed on 2 February 2009 and resigned on 10 June 2009.

The emoluments paid to Mr. Chan Chun Choi, had been waived of approximately HK$5,989,000 and HK$5,988,000 for the years ended 31 December 2010 and 2009 respectively.

During the two years ended 2010 and 2009, 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.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2009: two) were directors of the Company whose emoluments are included in the disclosures in Note 14(a) above. The emoluments of the remaining two (2009: three) individuals were as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	270	462
Contributions to pension scheme	14	19
	284	481

The emoluments of each of the above employees were less than HK$1,000,000 during the two years ended 31 December 2010 and 2009.

During the two years ended 31 December 2010 and 2009, no emoluments were paid by the Group to the highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDEND

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

16. LOSS PER SHARE

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2009	2,661	69	567	1,118	2,421	6,836
Additions	–	–	–	3	–	3
At 31 December 2009 and 1 January 2010	2,661	69	567	1,121	2,421	6,839
Additions	–	–	–	15	–	15
At 31 December 2010	2,661	69	567	1,136	2,421	6,854
ACCUMULATED DEPRECATION						
At 1 January 2009	775	69	567	1,113	2,421	4,945
Provided for the year	48	–	–	5	–	53
At 31 December 2009 and 1 January 2010	823	69	567	1,118	2,421	4,998
Provided for the year	48	–	–	7	–	55
At 31 December 2010	871	69	567	1,125	2,421	5,053
CARRYING VALUES						
At 31 December 2010	1,790	–	–	11	–	1,801
At 31 December 2009	1,838	–	–	3	–	1,841

The above items of property, plant and equipment are depreciated over their estimated useful lives and after taking into account of their estimate residual value, using the straight-line basis at the following rates per annum:

Building	Over the shorter of the unexpired term of lease and its estimated useful life
Leasehold improvements	Over their expected useful lives or the term of the relevant lease whichever shorter
Furniture and fixtures	20% — 30%
Office equipment	20% — 30%
Motor vehicles	30%

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

At 31 December 2010, the Group's building with carrying amount of approximately HK$1,790,000 (2009: HK$1,838,000) has pledged to secure general banking facilities and other borrowing as set out in Note 23 to the consolidated financial statements.

18. PREPAID LEASE PAYMENTS

	HK$'000
COST	
At 1 January 2009, 31 December 2009 and 31 December 2010	20,945
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	
At 1 January 2009	7,333
Amortisation for the year	349
Reversal of impairment loss during the year	(1,209)
At 31 December 2009 and 1 January 2010	6,473
Amortisation for the year	381
At 31 December 2010	6,854
CARRYING VALUES	
At 31 December 2010	14,091
At 31 December 2009	14,472

	2010	**2009**
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current asset	381	381
Non-current asset	13,710	14,091
	14,091	14,472

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

At 31 December 2010, the Group's prepaid lease payments with carrying amount of approximately HK$14,091,000 (2009: HK$14,472,000) was pledged to secure general banking facilities and other borrowing as set out in Note 23 to the consolidated financial statements.

No impairment loss was made for the year ended 31 December 2010 was determined by reference to the property valuations carried out on that date by Ascent Partners Transaction Service Limited, independent qualified professional valuers not connected with the Group. Ascent Partners Transaction Service Limited is member of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions (2009: Reversal of impairment loss for the year ended 31 December 2009 was determined by reference to property valuations carried out by an independent qualified professional valuer not connected with the Group, RHL Appraisal Limited).

19. DEPOSITS AND OTHER RECEIVABLES

	2010	**2009**
	HK$'000	*HK$'000*
Deposits and other receivables	102	91
Less: Accumulated impairment loss on other receivables	(44)	(44)
Deposits and other receivables	58	47

Movement in the accumulated impairment loss on other receivables is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
At 1 January and 31 December	44	44

The Group does not hold any collateral over these balances.

All of other receivables are expected to be recovered within one year.

20. BANK BALANCES AND CASH / BANK OVERDRAFTS

	2010	2009
	HK$'000	*HK$'000*
Bank balances and cash	19	549
Bank overdrafts	(2,272)	–
Bank revolving loan with maturity within three months *(Note 23)*	(10,500)	(10,500)
Cash and cash equivalents in the consolidated statement of cash flows	(12,753)	(9,951)

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

The bank overdrafts and bank revolving loan carry interest at market rates of 5.25% (2009: Nil) and at HIBOR plus 3.5% (2009: HIBOR plus 3.5%) per annum respectively.

Included in bank balances and cash in the consolidated statement of financial position are mainly the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2010	2009
	'000	*'000*
JPY	127	198

21. TRADE PAYABLES / OTHER PAYABLES AND ACCRUALS

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

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

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

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

22. AMOUNT(S) DUE TO A RELATED PARTY/DIRECTORS

The amounts due are unsecured, non-interest bearing and repayable on demand.

23. BANK AND OTHER BORROWINGS

	2010	2009
	HK$'000	*HK$'000*
Bank borrowings:		
Secured bank revolving loan *(Note i)*	10,500	10,500
Other borrowings:		
Secured other loan *(Note ii)*	–	122
Secured other loan *(Note iii)*	10,635	8,000
	10,635	8,122
	21,135	18,622

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

Notes:

(i) The bank revolving loan bear interest at HIBOR plus 3.5% (2009: HIBOR plus 3.5%) per annum.

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

(ii) 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 revitalise 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 ("OSL"), interest free and repayable on demand. As at 31 December 2009, the balance was approximately HK$122,000. During the year 2009, the Company received a letter from the legal advisors that the entire share capital in OSL has been transferred to the potential investor, and therefore, OSL was deconsolidated starting from 1 January 2010. The balance of approximately HK$122,000 has been deconsolidated upon the deconsolidation of OSL.

(iii) During the year, the Group borrowed addition loan of HK$2,000,000 (2009: HK$8,000,000) pursuant to several loan agreements from a third party for general business purpose. The loan and the interest thereon is secured by a second legal charge over the Group's leasehold land and building with an aggregate carrying amount of approximately HK$15,881,000 (2009: HK$16,310,000). At 31 December 2010, the balance was HK$10,000,000 (2009: HK$8,000,000).

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

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

24. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	**Impairment loss of prepaid lease payments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2009	524	(524)	–
Charged (credited) to consolidated income statement	41	(41)	–
At 31 December 2009, 1 January 2010 and 31 December 2010	565	(565)	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$127,435,000 (2009: HK$126,738,000). No deferred tax has been recognised in respect of the tax losses due to the unpredictability of future income stream. The tax losses can be carried forward indefinitely.

25. SHARE CAPITAL

	Number of shares		Amount	
	2010	**2009**	**2010**	**2009**
			HK$'000	*HK$'000*
Authorised:				
At 1 January and 31 December Ordinary shares of HK$0.1 each	220,558,640	220,558,640	22,056	22,056
Issued and fully paid:				
At 1 January and 31 December Ordinary shares of HK$0.1 each	154,801,160	154,801,160	15,480	15,480

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26. DECONSOLIDATION OF A SUBSIDIARY

The Group deconsolidated its entire 100% equity interests in Oriental Surplus Limited ("OSL") starting from 1 January 2010 and is detailed in Note 2 to the consolidated financial statements.

The net assets of OSL at the date of deconsolidation were as follows:

	OSL
	HK$'000
Net assets deconsolidated of:	
Cash on hand	147
Bank borrowings	(122)
Loss on deconsolidation of a subsidiary	25
Net cash outflow arising from deconsolidation:	
Cash on hand	(147)

27. OPERATING LEASES

The Group as lessee

	2010	**2009**
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year:		
– Premises	53	–

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Within one year	66	–
In the second to the fifth year inclusive	14	–
	80	–

The Group leases premises under an operating lease. The lease runs for an initial period of one to two years, with an option to renew the lease at the expiry date or at dates mutually agreed between the Group and the landlord. The lease does not include contingent rental.

28. CONTINGENT LIABILITIES

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

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

29. MATERIAL RELATED PARTY TRANSACTIONS

(a) Balances with directors / related parties:

	2010	2009
	HK$'000	*HK$'000*
Non-trade balances due to directors	4,764	4,467
Non-trade balance due to a related party	–	2,197

(b) Key management personnel compensation

Key management personnel of the Group in 2010 and 2009 included all Directors of the Company and details of their emoluments are disclosed in Note 14(a) to the consolidated financial statement.

	2010	2009
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	435	362
Contributions to pension scheme	11	12
	446	374

30. CAPITAL RISK MANAGEMENT

Capital comprises of share capital and reserves stated on the consolidated statement of financial position. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses. At 31 December 2010, the share capital of the Company is approximately HK$15,480,000. If there is a deficit in capital, the Group's operation would source from fund-raising exercises or using banking facilities of bank overdrafts and bank loans. The objectives and policies were remains unchanged from prior year.

The Group is not subject to either internally or externally imposed capital requirements.

31. PLEDGED OF ASSET

The Group had pledged certain of its building and prepaid lease payments to secure banking facilities and other borrowings granted to the Group at the end of the reporting period. The carrying values of the assets pledged are as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Building	1,790	1,838
Prepaid lease payments	14,091	14,472
	15,881	16,310

32. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries at 31 December 2010 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued/registered share capital	Proportion ownership interest held by the Company Direct	Indirect	Principal activities
Victory Group (BVI) Limited	British Virgin Islands	Ordinary shares of HK$100,000	100%	–	Investment holding
Victory Motors Centre Limited	Hong Kong	Ordinary shares of HK$1,000 Non-voting deferred HK$3,000,000	–	100%	Investment holding
Victory Realty Limited	Hong Kong	Ordinary shares of HK$10,000	–	100%	Inactive
Hong Kong Waho Development Limited	Hong Kong	Ordinary shares of HK$1,000,000	–	100%	Property holding
Waret Investment Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Inactive
Victory H-Tech Company Limited	Hong Kong	Ordinary shares of HK$100,000	–	100%	Inactive
華利亞科技(深圳)有限公司 *(Note a)*	People's Republic China	Paid up registered capital of HK$10,000,000	–	100%	Inactive

Note:

a) This subsidiary was established by the Group on 5 May 2010.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010	2009
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	11	–
Interests in subsidiaries *(Note a)*	–	–
	11	–
CURRENT ASSETS		
Bank balances and cash	–	375
CURRENT LIABILITIES		
Other payables and accruals	1,947	1,449
Amounts due to directors	1,903	1,607
Bank overdrafts	272	–
	4,122	3,056
NET CURRENT LIABILITIES	(4,122)	(2,681)
TOTAL ASSETS LESS CURRENT LIABILITIES	(4,111)	(2,681)
NON CURRENT LIABILITIES		
Amounts due to subsidiaries *(Note b)*	9,710	6,098
NET LIABILITIES	(13,821)	(8,779)
CAPITAL AND RESERVES		
Share capital	15,480	15,480
Reserves *(Note c)*	(29,301)	(24,259)
	(13,821)	(8,779)

Notes:

(a) Interests in subsidiaries

	2010	2009
	HK$'000	*HK$'000*
Unlisted investment, at cost	76,310	76,310
Amounts due from subsidiaries	83,702	83,516
	160,012	159,826
Less: Provision for impairment	(160,012)	(159,826)
	–	–

(b) The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

(c) Reserves

	Share premium	Contributed surplus *(Note a)*	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	50,091	64,809	(134,154)	(19,254)
Loss for the year, representing total comprehensive expense for the year	–	–	(5,005)	(5,005)
At 31 December 2009 and 1 January 2010	50,091	64,809	(139,159)	(24,259)
Loss for the year, representing total comprehensive expense for the year	–	–	(5,042)	(5,042)
At 31 December 2010	50,091	64,809	(144,201)	(29,301)

Note:

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

For the year ended 31 December 2010

RESULTS

	Year ended 31 December				
	2010	**2009**	**2008**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	–	–	17,600	6,585	8,024
Loss before taxation	(6,492)	(4,017)	(3,371)	(430)	(6,068)
Taxation	–	–	–	–	–
Net loss attributable to owners of the Company	(6,492)	(4,017)	(3,371)	(430)	(6,068)

ASSETS AND LIABILITIES

	At 31 December				
	2010	**2009**	**2008**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	1,801	1,841	1,891	1,943	1,983
Prepaid lease payments – non-current portion	13,710	14,091	13,263	14,604	13,083
Current assets	458	977	17,328	30,533	12,111
Current liabilities	(32,469)	(26,917)	(38,473)	(49,634)	(29,301)
Net current liabilities	(32,011)	(25,940)	(21,145)	(19,101)	(17,190)
Total assets less current liabilities	(16,500)	(10,008)	(5,991)	(2,554)	(2,124)
Non-current liabilities	–	–	–	(66)	(66)
Net liabilities	(16,500)	(10,008)	(5,991)	(2,620)	(2,190)