



# **VICTORY GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1139)**

**(the "Company")**

**INTERIM REPORT 2012**

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### *Executive Directors*

Chan Chun Choi

*(Chairman and Managing Director)*

Lin Huiwen *(Deputy Chairman)*

*(appointed on 15 August 2012)*

Chan Kingsley Chiu Yin *(Deputy Chairman)*

*(appointed on 15 August 2012)*

Lo So Wa Lucy *(formerly known as Lu Su Hua)*

#### *Independent Non-executive Directors*

Ip Ka Keung

Lam King Hang

Cheung Man Fu

### **AUDIT COMMITTEE**

Ip Ka Keung *(Chairman)*

Lam King Hang

Cheung Man Fu

### **REMUNERATION COMMITTEE**

Lam King Hang *(Chairman)*

Ip Ka Keung

Cheung Man Fu

### **NOMINATION COMMITTEE**

Cheung Man Fu *(Chairman)*

Lam King Hang

Ip Ka Keung

### **COMPANY SECRETARY**

Leung Wai Kei *CPA*

### **PRINCIPAL BANKER**

DBS Bank (Hong Kong) Limited

11th Floor, The Center

99 Queen's Road Central

Central

Hong Kong

### **AUDITORS**

Lo and Kwong C.P.A. Company Limited

Suites 313-317

3/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

## FINANCIAL HIGHLIGHTS

|                                                            | Six months ended 30 June |                             | Change<br>% |
|------------------------------------------------------------|--------------------------|-----------------------------|-------------|
|                                                            | 2012<br><i>HK\$'000</i>  | 2011<br><i>HK\$'000</i>     |             |
| Revenue                                                    | <b>14,150</b>            | –                           | 100         |
| Net profit (loss) attributable to owners of<br>the Company | <b>15,671</b>            | (1,424)                     | 1200.49     |
| Earnings (loss) per share                                  | <b>7.34 cents</b>        | (restated)<br>(18.40 cents) |             |

The board of directors (the “Board”) of Victory Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2012 (the “Period”) together with the comparative figures.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the Board of Directors of  
**Victory Group Limited**  
華多利集團有限公司  
*(incorporated in the Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Victory Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 6 to 18, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and fair presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## **OTHER MATTER**

Without qualifying our review conclusion, we draw attention that the comparative condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2011 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

### **Lo and Kwong C.P.A Company Limited**

*Certified Public Accountants (Practising)*

**Chan Mei Mei**

Practising Certificate Number: P05256

Suites 313-317, 3/F., Shui On Centre

6-8 Harbour Road

Wan Chai

Hong Kong

30 August 2012

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

|                                                                                                       | Notes | Six months ended 30 June        |                                 |
|-------------------------------------------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
|                                                                                                       |       | 2012<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
| <b>Revenue</b>                                                                                        |       | <b>14,150</b>                   | –                               |
| Cost of sales                                                                                         |       | <u>(12,604)</u>                 | <u>–</u>                        |
| <b>Gross profit</b>                                                                                   |       | <b>1,546</b>                    | –                               |
| Other income                                                                                          |       | <b>1,909</b>                    | –                               |
| Gain on bargain purchase                                                                              | 15    | <b>15,993</b>                   | –                               |
| Selling and distribution costs                                                                        |       | <b>(35)</b>                     | –                               |
| Administrative expenses                                                                               |       | <u>(2,676)</u>                  | <u>(1,176)</u>                  |
| <b>Profit (loss) from operations</b>                                                                  |       | <b>16,737</b>                   | (1,176)                         |
| Finance costs                                                                                         | 5     | <u>(880)</u>                    | <u>(248)</u>                    |
| <b>Profit (loss) before tax</b>                                                                       |       | <b>15,857</b>                   | (1,424)                         |
| Income tax expense                                                                                    | 6     | <u>(186)</u>                    | <u>–</u>                        |
| <b>Profit (loss) for the period, representing total comprehensive income (expense) for the period</b> | 7     | <u><b>15,671</b></u>            | <u>(1,424)</u>                  |
| <b>Earnings (loss) per share</b>                                                                      | 9     |                                 | (restated)                      |
| <b>Basic</b>                                                                                          |       | <u><b>7.34 cents</b></u>        | <u>(18.40 cents)</u>            |
| <b>Diluted</b>                                                                                        |       | <u><b>N/A</b></u>               | <u><b>N/A</b></u>               |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

|                                              |              | At<br>30 June<br>2012<br><i>HK\$'000</i><br>(Unaudited) | At<br>31 December<br>2011<br><i>HK\$'000</i><br>(Audited) |
|----------------------------------------------|--------------|---------------------------------------------------------|-----------------------------------------------------------|
|                                              | <i>Notes</i> |                                                         |                                                           |
| <b>NON-CURRENT ASSETS</b>                    |              |                                                         |                                                           |
| Property, plant and equipment                | <i>10</i>    | 1,743                                                   | 1,748                                                     |
| Prepaid lease payments                       |              | 13,139                                                  | 13,329                                                    |
| Prepayment                                   |              | 10,000                                                  | –                                                         |
|                                              |              | <u>24,882</u>                                           | <u>15,077</u>                                             |
| <b>CURRENT ASSETS</b>                        |              |                                                         |                                                           |
| Prepaid lease payments                       |              | 381                                                     | 381                                                       |
| Inventories                                  |              | 42,228                                                  | –                                                         |
| Prepayment, deposits and other receivables   |              | 54,435                                                  | 59                                                        |
| Bank balances and cash                       |              | 29,809                                                  | 16                                                        |
|                                              |              | <u>126,853</u>                                          | <u>456</u>                                                |
| <b>CURRENT LIABILITIES</b>                   |              |                                                         |                                                           |
| Trade payables                               | <i>11</i>    | 100                                                     | 100                                                       |
| Other payables and accruals                  |              | 11,945                                                  | 5,089                                                     |
| Promissory note payable                      | <i>15</i>    | 11,000                                                  | –                                                         |
| Deposit received                             |              | 5,841                                                   | –                                                         |
| Amounts due to directors                     |              | 5,760                                                   | 4,572                                                     |
| Tax liabilities                              |              | 801                                                     | –                                                         |
| Bills payable                                |              | 3,588                                                   | –                                                         |
| Bank overdrafts                              | <i>12</i>    | –                                                       | 2,123                                                     |
| Bank and other borrowings                    | <i>13</i>    | –                                                       | 26,479                                                    |
|                                              |              | <u>39,035</u>                                           | <u>38,363</u>                                             |
| <b>NET CURRENT ASSETS (LIABILITIES)</b>      |              | <u>87,818</u>                                           | <u>(37,907)</u>                                           |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |              | <u>112,700</u>                                          | <u>(22,830)</u>                                           |
| <b>NON-CURRENT LIABILITY</b>                 |              |                                                         |                                                           |
| Promissory note payable                      | <i>15</i>    | 11,000                                                  | –                                                         |
| <b>NET ASSETS (LIABILITIES)</b>              |              | <u>101,700</u>                                          | <u>(22,830)</u>                                           |
| <b>CAPITAL AND RESERVES</b>                  |              |                                                         |                                                           |
| Share capital                                | <i>14</i>    | 859                                                     | 15,480                                                    |
| Reserves                                     |              | 100,841                                                 | (38,310)                                                  |
| <b>TOTAL EQUITY</b>                          |              | <u>101,700</u>                                          | <u>(22,830)</u>                                           |



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

|                                                                                        | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Contributed<br>surplus<br><i>HK\$'000</i><br><i>(Note a)</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|----------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------------------------------|------------------------------------------|--------------------------|
| At 1 January 2011 (Audited)                                                            | 15,480                              | 50,091                              | 710                                                          | (82,781)                                 | (16,500)                 |
| Loss for the period,<br>representing total<br>comprehensive expense<br>for the period  | —                                   | —                                   | —                                                            | (1,424)                                  | (1,424)                  |
| At 30 June 2011 (Unaudited)                                                            | <u>15,480</u>                       | <u>50,091</u>                       | <u>710</u>                                                   | <u>(84,205)</u>                          | <u>(17,924)</u>          |
| At 1 January 2012 (Audited)                                                            | <b>15,480</b>                       | <b>50,091</b>                       | <b>710</b>                                                   | <b>(89,111)</b>                          | <b>(22,830)</b>          |
| Profit for the period,<br>representing total<br>comprehensive income<br>for the period | —                                   | —                                   | —                                                            | 15,671                                   | 15,671                   |
| Capital reduction<br><i>(Note 14(b))</i>                                               | (15,472)                            | —                                   | —                                                            | 15,472                                   | —                        |
| Issue of shares pursuant<br>to an open offer<br><i>(Note 14(c))</i>                    | 851                                 | 109,831                             | —                                                            | —                                        | 110,682                  |
| Transaction costs attributable<br>to issue of shares                                   | —                                   | (1,823)                             | —                                                            | —                                        | (1,823)                  |
| At 30 June 2012 (Unaudited)                                                            | <u>859</u>                          | <u>158,099</u>                      | <u>710</u>                                                   | <u>(57,968)</u>                          | <u>101,700</u>           |

Note:

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

|                                                                                  | Six months ended 30 June |                        |
|----------------------------------------------------------------------------------|--------------------------|------------------------|
|                                                                                  | 2012                     | 2011                   |
|                                                                                  | HK\$'000                 | HK\$'000               |
|                                                                                  | (Unaudited)              | (Unaudited)            |
| Net cash used in operating activities                                            | (17,416)                 | (1,300)                |
| Net cash used in investing activities                                            | (35,263)                 | –                      |
| Net cash from financing activities                                               | <u>84,595</u>            | <u>1,401</u>           |
| Net increase in cash and cash equivalents                                        | 31,916                   | 101                    |
| Cash and cash equivalents at 1 January                                           | <u>(2,107)</u>           | <u>(12,753)</u>        |
| Cash and cash equivalents at 30 June                                             | <u><u>29,809</u></u>     | <u><u>(12,652)</u></u> |
| Analysis of the balances of cash and cash equivalents at 30 June represented by: |                          |                        |
| Bank balances and cash                                                           | 29,809                   | 201                    |
| Bank overdrafts                                                                  | –                        | (2,353)                |
| Bank revolving loan                                                              | <u>–</u>                 | <u>(10,500)</u>        |
|                                                                                  | <u><u>29,809</u></u>     | <u><u>(12,652)</u></u> |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 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. On 11 June 2012, the Company has fulfilled the Resumption Conditions and has completed the Placing Down Arrangement as defined in the Company’s prospectus dated 18 May 2012, as of that date, its shares were resumed trading on the Stock Exchange.

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Suite 1609, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

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 condensed consolidated financial statements are presented in Hong Kong dollars (“HKD”), which is the same as 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 trading of second hand left-hand-drive motor vehicles during the current interim period.

### 2. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certificate Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### 3. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain assets and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2011.

### 3. Significant accounting policies (Continued)

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) issued by the HKICPA:

|                      |                                                                                                                                           |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Amendment to HKFRS 1 | First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| Amendment to HKFRS 7 | Financial Instruments: Disclosures<br>– Transfers of Financial Assets                                                                     |
| Amendment to HKAS 12 | Deferred Tax: Recovery of Underlying Assets                                                                                               |

The application of the above amendments to HKFRSs and HKASs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised HKASs, HKFRSs, amendments and interpretation that have been issued but are not yet effective.

|                                               |                                                                                                                                       |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to HKFRSs                          | Annual Improvements to HKFRSs 2009 – 2011 Cycle <sup>1</sup>                                                                          |
| Amendments to HKFRS 7                         | Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>                                                      |
| Amendments to HKFRS 7 and HKFRS 9             | Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>                                                           |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup> |
| HKFRS 9                                       | Financial Instruments <sup>2</sup>                                                                                                    |
| HKFRS 10                                      | Consolidated Financial Statements <sup>1</sup>                                                                                        |
| HKFRS 11                                      | Joint Arrangements <sup>1</sup>                                                                                                       |
| HKFRS 12                                      | Disclosure of Interests in Other Entities <sup>1</sup>                                                                                |
| HKFRS 13                                      | Fair Value Measurement <sup>1</sup>                                                                                                   |
| Amendments to HKAS 1                          | Presentation of Items of Other Comprehensive Income <sup>3</sup>                                                                      |
| HKAS 19 (as revised in 2011)                  | Employee Benefits <sup>1</sup>                                                                                                        |
| HKAS 27 (as revised in 2011)                  | Separate Financial Statements <sup>1</sup>                                                                                            |
| HKAS 28 (as revised in 2011)                  | Investment in Associates and Joint Ventures <sup>1</sup>                                                                              |
| Amendments to HKAS 32                         | Offsetting Financial Assets and Financial Liabilities <sup>4</sup>                                                                    |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2014

Save as disclosed in the annual report of the Company for the year ended 31 December 2011, the directors of the Company anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

### 4. Segment information

Operating segments, and the amounts of each segment item reported in the condensed consolidated financial statements, are identified from the financial information provided regularly to the board of directors of the Company, being the chief operating decision maker for the purposes of allocation resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

The Group has only one operating and reportable segment, represented the trading and distribution of second hand left-hand-drive motor vehicles, which is the new operating and reportable segment of the Group for the current interim period after the acquisition of Jumbo Chance Holdings Limited. Since this is the only one operating and reportable segment of the Group, no further analysis thereof is presented.

## 5. Finance costs

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

|                       | Six months ended 30 June |                 |
|-----------------------|--------------------------|-----------------|
|                       | 2012                     | 2011            |
|                       | <i>HK\$'000</i>          | <i>HK\$'000</i> |
|                       | (Unaudited)              | (Unaudited)     |
| <b>Interest on:</b>   |                          |                 |
| – Bills payable       | 8                        | –               |
| – Bank overdrafts     | 47                       | 52              |
| – Bank revolving loan | 176                      | 190             |
| – Other loans         | 649                      | 6               |
|                       | <u>880</u>               | <u>248</u>      |

## 6. Income tax expense

|                    | Six months ended 30 June |                 |
|--------------------|--------------------------|-----------------|
|                    | 2012                     | 2011            |
|                    | <i>HK\$'000</i>          | <i>HK\$'000</i> |
|                    | (Unaudited)              | (Unaudited)     |
| <b>Current tax</b> |                          |                 |
| – Hong Kong        | <u>186</u>               | <u>–</u>        |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current interim period.

No Hong Kong Profits Tax is provided for the six months ended 30 June 2011 as the Group did not generated any assessable profit arising in Hong Kong.

## 7. Profit (loss) for the period

Profit (loss) for the period has been arrived at after charging (crediting) the following items:

|                                                | Six months ended 30 June |                 |
|------------------------------------------------|--------------------------|-----------------|
|                                                | 2012                     | 2011            |
|                                                | <i>HK\$'000</i>          | <i>HK\$'000</i> |
|                                                | (Unaudited)              | (Unaudited)     |
| Auditor's remuneration                         |                          |                 |
| – Audit services                               | 300                      | –               |
| – Other services                               | 120                      | –               |
| Amortisation of prepaid lease payments         | 190                      | 190             |
| Depreciation of property, plant and equipment  | 27                       | 27              |
| Staff cost (including directors' remuneration) | 846                      | 396             |
| Waiver of interest on other loan               | <u>(1,907)</u>           | <u>–</u>        |

## 8. Dividends

No dividend was paid, declared or proposed during both of the reporting periods. The directors do not recommend the payment of an interim dividend.

## 9. Earnings (loss) per share

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the consolidated profit for the period attributable to owners of the Company of approximately HK\$15,671,000 (six months ended 30 June 2011: loss for the period HK\$1,424,000) and the weighted average number of ordinary shares of the Company in issue during the current interim period of 213,574,000 (six months ended 30 June 2011: 7,740,000 ordinary shares, restated as the share consolidation effective from 7 May 2012 as set out in Note 14(b) to the condensed consolidated financial statements).

No diluted earnings (loss) per share have been presented as there was no dilutive potential ordinary share for the six months ended 30 June 2012 and 2011.

## 10. Property, plant and equipment

No property, plant and equipment was acquired by the Group for the six months ended 30 June 2012 and 2011.

At 30 June 2012, the Group's building with the carrying amount of approximately HK\$1,718,000 (31 December 2011: HK\$1,742,000) were pledged to secure general banking facilities of the Group as set out in Note 13 to the condensed consolidated financial statements.

## 11. Trade payables

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

|             | <b>30 June<br/>2012</b> | 31 December<br>2011 |
|-------------|-------------------------|---------------------|
|             | <b>HK\$'000</b>         | HK\$'000            |
|             | <b>(Unaudited)</b>      | (Audited)           |
| Over 1 year | <u><b>100</b></u>       | <u>100</u>          |

## 12. Bank overdrafts

|                 | <b>30 June<br/>2012</b> | 31 December<br>2011 |
|-----------------|-------------------------|---------------------|
|                 | <b>HK\$'000</b>         | HK\$'000            |
|                 | <b>(Unaudited)</b>      | (Audited)           |
| Bank overdrafts | <u><b>-</b></u>         | <u>2,123</u>        |

The bank overdrafts carry interest at market rates of 5.25% (31 December 2011: 5.25%) per annum.

### 13. Bank and other borrowings

|                                                               | 30 June<br>2012<br>HK\$'000<br>(Unaudited) | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---------------------------------------------------------------|--------------------------------------------|----------------------------------------------|
| Bank borrowings:                                              |                                            |                                              |
| Secured bank revolving loan ( <i>Note i</i> )                 | —                                          | 10,500                                       |
| Other borrowings:                                             |                                            |                                              |
| Secured loans from a third party ( <i>Note ii</i> )           | —                                          | 11,907                                       |
| Secured loan from a financial institution ( <i>Note iii</i> ) | —                                          | 4,072                                        |
|                                                               | —                                          | 15,979                                       |
| Bank borrowings repayable within one year or on demand        | —                                          | 26,479                                       |

#### Notes:

- (i) During the current interim period, the bank revolving loan bear interest at HIBOR plus 3.5% (31 December 2011: HIBOR plus 3.5%) per annum.

At 30 June 2012, the banking facilities of HK\$14,000,000 (31 December 2011: HK\$14,000,000) are secured by the Group's building and prepaid lease payments with an aggregate carrying amount of approximately HK\$15,237,000 (31 December 2011: HK\$15,452,000), jointed personal guarantee and corporate guarantee to be executed by the director, Mr. Chan Chun Choi and the Company of HK\$14,000,000 (31 December 2011: HK\$14,000,000). At the end of the reporting period, the Group did not utilise the facilities (31 December 2011: HK\$10,500,000).

- (ii) At 31 December 2011, in respect of the loans with principal amounts of HK\$10,000,000 are overdue (the "Overdue Loans"), and the Group had already breached the repayment terms of the loans. Pursuant to the loan agreements, interest will be charged on the outstanding amount of the Overdue Loans until full repayment at the rate of 12% per annum. The Overdue Loans and the overdue interest thereon are secured by a legal charge over the Group's building and prepaid lease payments with an aggregate carrying amount of approximately HK\$15,452,000.

During the current interim period, the principal amount of HK\$10,000,000 has been fully settled and the overdue interest of the aforesaid Overdue Loans amounting to approximately HK\$1,907,000 has been waived by the lender during the current interim period.

- (iii) During the year ended 31 December 2011, the Group borrowed a loan of HK\$3,500,000 from a financial institution with a monthly interest rate of 3%. Pursuant to the loan agreement dated 27 June 2011 entered into with a financial institution, the loan is used for general business purpose. The loan and the interest thereon is secured by a legal charge over the Group's building and prepaid lease payments with an aggregate carrying amount of approximately HK\$15,452,000, joint and personal guarantee to be executed by the directors, Ms. Lo So Wa Lucy (formerly known as Ms. Lu Su Hua) and Mr. Chan Chun Choi.

As the loan was expired on 27 September 2011, the Group has breached the repayment terms of the loan at 31 December 2011 and therefore further interest has been charged on the outstanding sum at the rate of 3% per month.

During the current interim period, the principal amount together with the overdue interest amounting to approximately HK\$5,011,000 has been fully settled.

#### 14. Share capital

|                                                                     | Par value<br>per share<br>HK\$ | Number of<br>shares           | Amount<br>HK\$'000    |
|---------------------------------------------------------------------|--------------------------------|-------------------------------|-----------------------|
| <i>Authorised:</i>                                                  |                                |                               |                       |
| At 1 January 2011, 31 December 2011 and<br>1 January 2012 (Audited) | 0.1                            | 500,000,000                   | 50,000                |
| Additions ( <i>Note a</i> )                                         | 0.1                            | <u>1,020,558,640</u>          | <u>102,056</u>        |
|                                                                     | 0.1                            | 1,520,558,640                 | 152,056               |
| Share consolidation ( <i>Note b</i> )                               | N/A                            | <u>(1,444,530,708)</u>        | <u>–</u>              |
|                                                                     | 2.0                            | 76,027,932                    | 152,056               |
| Share split ( <i>Note b</i> )                                       | N/A                            | <u>151,979,836,068</u>        | <u>–</u>              |
| At 30 June 2012 (Unaudited)                                         | 0.001                          | <u><u>152,055,864,000</u></u> | <u><u>152,056</u></u> |
| <i>Issued and fully paid:</i>                                       |                                |                               |                       |
| At 1 January 2011, 31 December 2011 and<br>1 January 2012 (Audited) | 0.1                            | 154,801,160                   | 15,480                |
| Share consolidation ( <i>Note b</i> )                               | N/A                            | <u>(147,061,102)</u>          | <u>–</u>              |
|                                                                     | 2.0                            | 7,740,058                     | 15,480                |
| Capital reduction ( <i>Note b</i> )                                 | N/A                            | <u>–</u>                      | <u>(15,472)</u>       |
|                                                                     | 0.001                          | 7,740,058                     | 8                     |
| Open offer ( <i>Note c</i> )                                        | 0.001                          | <u>851,406,380</u>            | <u>851</u>            |
| At 30 June 2012 (Unaudited)                                         | 0.001                          | <u><u>859,146,438</u></u>     | <u><u>859</u></u>     |

#### *Notes:*

- (a) Pursuant to the Company's circular dated 16 April 2012, prospectus dated 18 May 2012 and the special resolution passed at the Company's special general meeting held on 7 May 2012, the authorised share capital of the Company has been increased from HK\$50,000,000, divided into 500,000,000 shares of HK\$0.10 each (the "Share(s)") to HK\$152,055,864 divided into 1,520,558,640 Shares of HK\$0.10 each by the creation of an additional 1,020,558,640 Shares of HK\$0.10.



#### 14. Share capital (Continued)

- (b) Pursuant to the Company's circular dated 16 April 2012, prospectus dated 18 May 2012 and the special resolution passed at the Company's special general meeting held on 7 May 2012, every twenty shares of HK\$0.10 each in the share capital of the Company had been consolidated into one share of HK\$2.00 (the "Consolidated Share(s)"). The par value of each of the issued Consolidated Shares had been reduced from HK\$2.00 to HK\$0.001 each by cancelling the paid-up capital to the extent of HK\$1.999 per issued Consolidated Share. The credit arising from the capital reorganisation will be applied to set off against the accumulated loss of the Company. Immediately following the capital reduction, each authorised Consolidated Share will also be sub-divided into 2,000 adjusted shares with a par value of HK\$0.001 each.
- (c) Pursuant to the Company's circular dated 16 April 2012, prospectus dated 18 May 2012 and the ordinary resolution passed at the Company's special general meeting held on 7 May 2012, the Company has made an open offer on the basis of one hundred and ten offer shares for every one share held on the 17 May 2012 at the subscription price of HK\$0.13 per offer share. On 7 June 2012, 851,406,380 ordinary shares had been issued under the open offer accordingly.

#### 15. Acquisition of subsidiaries

On 1 June 2010, the Company entered into an agreement with Long Triumph Holdings Limited and Ms. Leung Oi Lan Kit (collectively known as the "Vendors") in relation to the sale and purchase of the entire issued share capital of Jumbo Chance Holdings Limited and its wholly-owned subsidiary, Sky Dragon (China) Trading Limited (collectively referred to as "Jumbo Chance Group") (the "Acquisition"). Details of the Acquisition are set out in the Company's announcements dated 4 June 2010, 25 June 2010, 29 September 2010, 29 November 2010, 31 January 2011, 29 March 2011 and 6 January 2012 and the Company's circular dated 16 April 2012 respectively. Sky Dragon (China) Trading Limited is engaged in the trading of second hand left-hand-drive motor vehicles. The Acquisition was completed on 5 June 2012 and the consideration was satisfied in cash and promissory note as stated as below:

##### *Consideration transferred*

|                                         | <i>HK\$'000</i> |
|-----------------------------------------|-----------------|
| Cash consideration                      | 38,000          |
| Promissory note payable ( <i>Note</i> ) | 22,000          |
|                                         | <hr/>           |
|                                         | 60,000          |
|                                         | <hr/> <hr/>     |

*Note:* Based on the relevant agreement, the Vendors undertaken to the Company that the consolidated net profits of Jumbo Chance Group for each of the year ended 31 March 2013 and 31 March 2014 as to be shown in the audited consolidated financial statements of Jumbo Chance Group for such periods to be prepared by a certified public accountants acceptable to the Company shall not less than HK\$15,000,000. In the event that the consolidated net profits of Jumbo Chance Group for each year is less than HK\$15,000,000, the Company shall entitled to a cash sum at the end of each year (the "Shortfall Amount"). The Shortfall Amount shall first be deducted from any outstanding amounts due to the Vendors under the promissory note payable and to the extent insufficient to cover the Shortfall Amount, shall be paid by the Vendors to the Company in cash.

The Shortfall Amount to be paid by the Vendors under the relevant agreement shall, in no event, exceed HK\$30,000,000.

Up to the date of these condensed consolidated financial statements are authorised for issue, the management of the Company is still in the process to assess the fair value of the promissory note payable.

## 15. Acquisition of subsidiaries (Continued)

Acquisition-related costs amounting to approximately HK\$1,080,000 have been excluded from the cost of acquisition and are recognised directly as expenses when they are incurred.

*Assets and liabilities to be recognised at the date of acquisition (determined on a provisional basis)*

|                                            | <i>HK\$'000</i><br>(Unaudited) |
|--------------------------------------------|--------------------------------|
| <b>Non-current asset</b>                   |                                |
| Plant and equipment                        | 22                             |
| <b>Current assets</b>                      |                                |
| Inventories                                | 45,693                         |
| Prepayment, deposits and other receivables | 2,005                          |
| Amount due from a director                 | 51,662                         |
| Bank balances and cash                     | 2,735                          |
| <b>Current liabilities</b>                 |                                |
| Bills payable                              | (4,321)                        |
| Other payables and accruals                | (9,894)                        |
| Tax liabilities                            | (11,909)                       |
|                                            | <u>75,993</u>                  |

*Goodwill arising on acquisition (determined on a provisional basis)*

|                                                             | <i>HK\$'000</i><br>(Unaudited) |
|-------------------------------------------------------------|--------------------------------|
| Consideration transferred                                   | 60,000                         |
| Less: Recognised amount of net identifiable assets acquired | <u>(75,993)</u>                |
| Gain on bargain purchase                                    | <u>(15,993)</u>                |

*Net cash outflow arising on acquisition*

|                                                  | <i>HK\$'000</i><br>(Unaudited) |
|--------------------------------------------------|--------------------------------|
| Consideration paid in cash                       | (38,000)                       |
| Less: Cash and cash equivalent balances acquired | <u>2,735</u>                   |
|                                                  | <u>(35,265)</u>                |

## 15. Acquisition of subsidiaries (Continued)

Included in the profit for the current interim period is approximately HK\$931,000 attributable to the additional business generated by Jumbo Chance Group. Revenue for the current interim period includes approximately HK\$14,150,000 generated from Jumbo Chance Group.

Had the acquisition been completed on 1 January 2012, total consolidated revenue for the current interim period would have been approximately HK\$115,252,000 and profit for the current interim period would have been HK\$8,904,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

## 16. Material related party transactions

### (a) Balances with related parties:

|                                     | <b>30 June</b>      | 31 December  |
|-------------------------------------|---------------------|--------------|
|                                     | <b>2012</b>         | 2011         |
|                                     | <b>HK\$'000</b>     | HK\$'000     |
|                                     | <b>(Unaudited)</b>  | (Audited)    |
| Non-trade balances due to directors | <u><b>5,760</b></u> | <u>4,572</u> |

### (b) Key management personnel compensation

The emolument of directors and members of key management during the periods was as follows:

|                                                | <b>Six months ended 30 June</b> |             |
|------------------------------------------------|---------------------------------|-------------|
|                                                | <b>2012</b>                     | 2011        |
|                                                | <b>HK\$'000</b>                 | HK\$'000    |
|                                                | <b>(Unaudited)</b>              | (Unaudited) |
| Fees, salaries, allowance and benefits in kind | <b>178</b>                      | 174         |
| Contributions to retirement benefits scheme    | <b>4</b>                        | -           |
|                                                | <u><b>182</b></u>               | <u>174</u>  |

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Interim Results**

The Group had been reorganised and completed the acquisition of subsidiaries on 5 June 2012. In view of the past several years, the Group had achieved a better interim period. For the six months ended 30 June 2012, the unaudited turnover in the Period was approximately HK\$14,150,000. The unaudited profit attributable to owners of the Company for the Period was approximately HK\$15,671,000, including a gain on bargain purchase on acquisition approximately HK\$15,993,000 (six months ended 30 June 2011: loss for the period of approximately HK\$1,424,000).

### **Business Review**

Trading of the Company's shares had been suspended since 27 September 2006. On 18 December 2008, the Listing Committee of the Stock Exchange announced to place the Company into the third stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 15 July 2011, the Listing Committee agreed to allow the Company to proceed with the Resumption Proposal, subject to compliance with the Resumption Conditions to the satisfaction of the Listing Division within six months.

At 5 June 2012, all the Resumption Conditions have been fulfilled and complied with all the Resumption Conditions and resumed of trading in the shares on 11 June 2012. The Group had been reorganised and has adequate resources to continue with sustainable business operations. The Board is confident to bring the Company back profitable track.

The core business of the Company during the Period was car sales business and principally engaged in the trading of second hand left-hand-drive motor vehicles.

### **Financial Summary**

During the six months ended 30 June 2012, the Group has no additional borrowings (31 December 2011: HK\$3,500,000). The Group had repaid all the bank borrowings and other borrowings as at the Period.

At 30 June 2012, the Group had no trade receivables (31 December 2011: Nil) and trade payables amounted to HK\$100,000 (31 December 2011: HK\$100,000). There had inventories approximately HK\$42,228,000 as at 30 June 2012 (31 December 2011: Nil).

At 30 June 2012, the Group's net current assets amounted to approximately HK\$87,818,000 (31 December 2011: net current liabilities HK\$37,907,000) and net assets amounted to approximately HK\$101,700,000 (31 December 2011: net liabilities HK\$22,830,000). At the same day, the Group's bank balances and cash amounted to approximately HK\$29,809,000 (31 December 2011: HK\$16,000).

In terms of liquidity, the current ratio at the end of the Period was 3.25 (31 December 2011: 0.01). No gearing ratio, resulting from a comparison of the total borrowings with total equity of the Group at 30 June 2012 (31 December 2011: 1.25) as there is no borrowing as 30 June 2012.

### **Contingent Liabilities**

On 4 September 2009, the Company received a draft statement of claim under cover of a letter from the legal adviser acting for Profit Fortune International Limited ("Profit Fortune") in respect of an agreement for the implementation of a restructuring proposal dated 9 November 2007 ("Restructuring Agreement"). The amount of claim was approximately HK\$76,440,000. According to the said letter, Profit Fortune invited the Company to settle the matter by negotiation. Since the date of the said letter and up to the report date, no legal action has been formally taken by Profit Fortune to further this matter. In the opinion of the directors, based on (i) the legal counsel's advice which considers the Company has strong defense on the possible claim from Profit Fortune; (ii) no formal litigation has been commenced; and (iii) the amount of the ultimate liability cannot be measured with sufficient reliability, no provision in respect of such claim was made.

Save as disclosed above as at the report date, the directors are not aware that any member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the directors to be pending or threatened against any member of the Group.

### **Future Outlook**

At 5 June 2012, all the Resumption Conditions have been fulfilled and complied with all the Resumption Conditions and resumed of trading in the shares on 11 June 2012. The Group had been reorganised and has adequate resources to continue with sustainable business operations. The Directors will use its best endeavors to look for new business and investment opportunities with an aim to broaden the Group's revenue stream and turn the bottom-line around. The Company will also keep on exercising stringent cost control, quality assurance, and expense control to minimise operating costs.

## **DISCLOSURE OF ADDITIONAL INFORMATION**

### **Significant Issues**

During the Period, there was acquisition of subsidiaries Jumbo Chance Holdings Limited (together with its subsidiaries) (“**Jumbo Chance Group**”) in consideration of HK\$60,000,000 which HK\$38,000,000 was paid in cash and issued a promissory note for the payment of an aggregate HK\$22,000,000. The promissory note is interest-free and cannot be converted into Shares. Save as the above, the Company and the Group had no significant investment, material acquisitions or disposals of subsidiaries or associated companies and significant commitments during the Period (six months ended 30 June 2011: HK\$50,000,000).

### **Acquisition of subsidiaries**

On 4 June 2010, the Company announced that the Company entered into a conditional sale and purchase agreement dated 1 June 2010 with an independent third party to acquire the whole issued share capital of Jumbo Chance Holdings Limited for a consideration of HK\$50,000,000. Due to the favourable business outlook of Jumbo Chance Group, the parties to the Agreement have agreed to increase the consideration from HK\$50,000,000 to HK\$60,000,000. All the conditions precedent under the Agreement have been fulfilled, and completion of the Acquisition took place on 5 June 2012. Jumbo Chance Group have become an indirect wholly-owned subsidiary of the Company upon completion of the Acquisition.

On 2 September 2010, the Company announced that the Company entered into a conditional sale and purchase agreement dated 17 August 2010 with an independent third party to acquire the whole issued share capital of Shenzhen Sansun Hi-Tech Company Limited for a consideration of HK\$70,000,000, which was subsequently terminated as per the Company’s announcement dated 6 January 2012.

### **Pledge of Assets**

At 30 June 2012, the banking facilities of HK\$14,000,000 (31 December 2011: HK\$14,000,000) are secured by the Group’s building and prepaid lease payments with an aggregate carrying amount of approximately HK\$15,237,000 (31 December 2011: HK\$15,452,000), jointed personal guarantee and corporate guarantee to be executed by the director, Mr. Chan Chun Choi and the Company of HK\$14,000,000 (31 December 2011: HK\$14,000,000). At the end of the reporting period, the Group did not utilise the facilities (31 December 2011: HK\$10,500,000).

### **Directors’ Interests in Contracts**

None of the Directors had a significant beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the Period (six months ended 30 June 2011: none).

### **Compliance with the Code on Corporate Governance Practices**

The Company is committed to the establishment of good corporate practices and procedures. The corporate governance principles of the Company emphasis a quality board, transparency and accountability to all shareholders of the Company. In the opinion of the Board, the Group has complied with the code provisions set out in Appendix 14, Code on Corporate Governance Practices, of the Rules Governing the Listing of Securities on the Stock Exchange for the six months ended 30 June 2012.

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

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the Period (six months ended 30 June 2011: nil).

### **Audit Committee**

The audit committee and management have reviewed the accounting principles and policies adopted by the Group and the unaudited consolidated results for the six months ended 30 June 2012.

By Order of the Board  
**Victory Group Limited**  
**Chan Chun Choi**  
*Chairman and Managing Director*

Hong Kong, 30 August 2012

*As at the date of this report, the Board comprises Mr. Chan Chun Choi, Ms. Lo So Wa Lucy (formerly known as Ms. Lu Su Hua), Mr. Lin Huiwen and Mr. Chan Kingsley Chiu Yin as executive directors; Mr. Ip Ka Keung, Dr. Lam King Hang and Mr. Cheung Man Fu as independent non-executive directors.*