VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

(the "Company")

Annual Report 2012

CONTENTS

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

Profiles of Directors

EXECUTIVE DIRECTORS

Mr. Chan Chun Choi, aged 67, is the chairman and managing director of the Company. Mr. Chan has been appointed as an executive Director since 1988. Mr. Chan, together with his ex-wife, Madam Lam Mo Kuen, Anna, founded the Company in mid-1980s. Mr. Chan has extensive experience in the distribution and marketing of automotive products, principally in the PRC. Mr. Chan is responsible for the strategic planning and business development of 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. He is also the executive director and major shareholder of Wazi Led Lighting Limited, a Hong Kong company primarily engaged in the LED lighting trading business since 19 July 2010. Mr. Chan did not act as a director in any other listed public company in the last three years. Mr. Chan is the spouse of Ms. Lo So Wa Lucy (formerly known as Ms. Lu Su Hua) and the father of Mr. Chan Kingsley Chiu Yin, both of them are executive director of the Company.

Mr. Lin Huiwen, aged 47, graduated from the Shantou Da Hao Senior High School in 1983. In 1993, he founded the Shantou Jinjun Development Co., Ltd., a company primarily engaged in the distribution and marketing of auto motive products in the P.R.C.. In 2007, he joined The Guangdong Huamei Oil & Fat Co., Ltd., a company primarily engaged in edible vegetable oil business. Mr. Lin is the executive director and major shareholder of the Fujian Haian Aquatic Tech Co., Ltd. in 2008, engaged in mariculture operation; the Shantou Lihengjia Arts & Crafts Co., Ltd. in the same year, engaged in advanced paper crafts production and distribution business. In 2008, Mr. Lin also invested in Paraking Holdings Limited, a Hong Kong company primarily engaged in the distribution of automotive products and general trading. In 2009 Mr. Lin established the Shautou Huatai Real Estate Development Co., Ltd., being the Managing Director and major shareholder. Mr. Lin is one of the substantial shareholders of the Company. Mr. Lin did not hold any directorships in other listed public company in the last three years. He also does not have any relationships with any Directors, senior management or substantial shareholders or controlling shares of the Company.

Mr. Chan Kingsley Chiu Yin, aged 26, graduated at California State University, with Bachelor of Business Administration, major in Finance. Mr. Chan, has engaged in asset management experience in United States of America up to 5 years, and joins our group as General Manager in 2009. Mr. Chan has been the director of various companies and has invested in various industries like Financial Services, Property Holdings, General Trading, and LED Business, etc. Mr. Chan did not hold any directorships in other listed public company in the last three years. Mr. Chan is the son of Mr. Chan Chun Choi who is chairman and managing director of the Company and ex-director Ms. Lam Mo Kuen Anna.

Ms. Lo So Wa Lucy (formerly known as Ms. Lu Su Hua), aged 43, graduated from the Beijing Foreign Studies University in 1999, and in 2003. Ms. Lo obtained her Master of Business Administration (MBA) degree from the University of Ballarat in Australia. She joined AE Optoelectronics Technologies (GD) Ltd., a company primarily engaged in LED business, as a deputy general manager for three years. Ms. Lo was appointed an executive director of the Company on 6 October 2003. Ms. Lo is the spouse of Mr. Chan Chun Choi, an executive Director. Ms. Lo did not act as a director in any other listed public company in the last three years.

Profiles of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Ka Keung, aged 44, 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, he 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 Bachelor of Law (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. Mr. Ip was appointed an independent non-executive director of the Company on 18 January 2010. Mr. Ip did not act as a director in any other listed public company in the last three years. He also does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Dr. Lam King Hang, aged 42, 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. He was involved in a number of research projects concerning LED applications when he was employed by the University of Hong Kong from 1998 to 2007. In 2007, he received his PhD in Architecture at The University of Hong Kong and is now working as a Senior Manager at a solar energy company. In 2009, he was appointed as Honorary Lecturer for teaching a Master of Science course at the University of Hong Kong. Dr. Lam was appointed an independent non-executive director of the Company on 1 June 2010. Dr. Lam did not act as a director in any other listed public company in the last three years. He also does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Cheung Man Fu, aged 40, graduated from the Wu Yi University, Jiangmen, PRC with a Bachelor of Science degree in Electronics Engineering. He is currently engaged in, inter alia, auto mechanics and LED businesses for over 16 years. Mr. Cheung was appointed an independent non-executive director of the Company on 1 August 2011. Mr. Cheung did not act as a director in any other listed public company in the last three years. He also does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Chairman's Statement

Dear Shareholders,

I hereby present the annual report for the year ended 31 December 2012 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 2012, the Group recorded a revenue of approximately HK$71,735,000 for the year (2011: Nil). Net profit attributable to shareholders of the Company for the year was approximately HK$38,791,000 (2011: Net loss HK$6,330,000).

The Board did not recommend to pay any dividend for the year ended 31 December 2012 (2011: Nil).

BUSINESS REVIEW

During the year under review, the principal activities were investment holding, property holding and trading of second hand left-hand-drive motor vehicles. 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 turn the bottom-line around.

As stated in the annual report 2011 of the Company, trading of the Company's shares had been suspended since 27 September 2006. On 18 December 2008, the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") announced to place the Company into 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").

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.

During the year, the unstable global economic environment and the slowdown of market growth in PRC have posed challenges to motor vehicles business. The supply and demand disparities due to the over production of cars in mainland China has led to drop on selling price of new car and affecting the demand of second-hand car. On the other hand, advanced car brand in China have started to operate second-hand car sales business in mainland and the implemented of limited license order in China cause the motor vehicle market worse. The company strengthens the brand awareness and promotes the development of automotive business in the PRC through cooperation with several vehicle distributors in mainland. Even if the economic growth in PRC likely slowdown, the Company will take the positive and prudent management strategies to face the challenge.

During the year under review, the Board comprised Mr. Chan Chun Choi, Mr. Lin Huiwen, Mr. Chan Kingsley Chiu Yin and Ms. Lo So Wa Lucy (formerly known as Ms. Lu Su Hua) as executive directors; Mr. Ip Ka Keung, Dr. Lam King Hang and Mr. Cheung Man Fu 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, 28 March 2013

Management Discussion
and Analysis

RESULTS

The Group had revenue of approximately HK$71,735,000 for the year ended 31 December 2012. Net profit attributable to owners of the Company for the year was approximately HK$38,791,000.

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. Due to certain material changes to the Company's resumption plans, the Company submitted a Third Resumption Proposal to the Stock Exchange. On 28 October 2011, the Listing Committee had conditionally approved the Company's Third Resumption Proposal.

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 principal activities of the Company were investment holding, property holding and trading of second hand left-hand-drive motor vehicles. The core business of the Company during the year was car sales business and principally engaged in the trading of second hand left-hand-drive motor vehicles. The primary market of the core business is PRC mainland.

During the year, the unstable global economic environment and the slowdown of market growth in PRC have posed challenges to motor vehicles business. The supply and demand disparities due to the over production of cars in mainland China has led to drop on selling price of new car and affecting the demand of second-hand car. On the other hand, advanced car brand in China have started to operate second-hand car sales business in mainland and the implemented of limited license order in China cause the motor vehicle market worse.

Comparing to last financial year, the increased audited net profit for 2012 was primarily caused by the completion of the Acquisition took place on 5 June 2012. It including an in increase of approximately HK$3,907,000, HK$3,732,000, HK$26,998,000 and HK$21,834,000 in gross profit, other income, fair value change on contingent consideration and gain on bargain purchases of subsidiaries respectively, and also in increase of approximately HK$4,443,000, HK$6,353,000 and HK$561,000 in selling and distribution expenses, 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.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The current ratio of the Group at the end of 2012 was 4.27 (2011: 0.01). No gearing ratio, resulting from a comparison of the total borrowings with total equity of the Group at 31 December 2012 (2011: 1.25) as there is no borrowing at 31 December 2012. Details of the Group's exposure to credit risk, liquidity risk, currency risk, interest rate risk and any related hedges are stated in note 6 to the consolidated financial statements.

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

At as 31 December 2012, the Group had trade receivables amounted to approximately HK$263,000 (2011: Nil) and trade payables amounted to approximately HK$1,990,000 (2011: HK$100,000). There had inventories amounted to approximately HK$28,560,000 as at 31 December 2012 (2011: Nil).

As at 31 December 2012, the Group's net current assets amounted to approximately HK$81,494,000 (2011: net current liabilities HK$37,907,000) and net assets amounted to approximately HK$124,816,000 (2011: net liabilities HK$22,830,000). At the same day, the Group's bank balances and cash amounted to approximately HK$24,675,000 (2011: HK$16,000). There was no bank and other borrowings at 31 December 2012 (2011: HK$26,479,000).

CHARGE ON ASSETS

As at 31 December 2012, the Group does not have any charges (2011: HK$15,452,000).

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment during the year ended 31 December 2012.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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 subsidiaries, Sky Dragon (China) Trading Limited and Express Luck Limited (collectively referred to as "Jumbo Chance Group") (the "Jumbo Chance Acquisition"). Details of the Jumbo Chance 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, 6 January 2012 and 5 April 2012 and the Company's circular dated 16 April 2012 respectively. Jumbo Chance Group is engaged in the trading of second hand left-hand-drive motor vehicles. Details of acquisition of subsidiaries are set out in note 32 to the financial statements.

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.

FOREIGN CURRENCY EXPOSURE

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 US dollars ("USD") and Japanese Yen ("JPY"). Foreign currency risk arises from financial assets and transactions which were denominated in currencies other than the functional currencies of the Group entities. The Group has bank balances and cash denominated in USD and JPY. 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.

HUMAN RESOURCES

As at 31 December 2012, the Group had a total of 19 employees. The remuneration 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 including directors' remuneration, for the period amounted to approximately HK$3,874,000 (2011: HK$818,000). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

CONTINGENT LIABILITIES

Pursuant to the loan agreement dated 27 June 2011 entered into with a financial institution, a loan of HK$3,500,000 together with the interest should be repaid on 27 September 2011. As the Group failed to settle an outstanding amount as at 27 September 2011, the said outstanding amount was charged to pay further interest and was outstanding as at 31 December 2011. The Group breached the repayment terms of the loan. As a result, a claim may be made against the Group by the financial institution for the immediate repayment of the principal amount and accrued interest together with the said expenses, and instituting legal proceedings against the Group.

During the year ended 31 December 2012, the Company settled the loan of HK$3,500,000, together with the interest should be repaid on 27 September 2011 and all the further interest charged on the said outstanding amount, the Directors are of the opinion that the possibility of an outflow of resources embodying economic benefits is remote.

CAPITAL COMMITMENT

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 (the "Jumbo Chance Acquisition). Details are set out in the Company's announcements dated 4 June 2010, 25 June 2010, 29 September 2010, 29 November 2010, 31 January 2011 and 29 March 2011. There was no capital commitment in respect of the Acquisition outstanding at 31 December 2012 (2011: HK$50,000,000).

On 3 January 2012, the Company and the Vendors entered into the fifth deed of variation, the parties mutually agreed to vary the consideration from HK$50,000,000 to HK$60,000,000.

The Acquisition was completed on 5 June 2012 and the consideration was satisfied in cash and promissory note (Details of the consideration transferred is disclosed in Note 32 to the financial statements).

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 unstable global economic environment and the moderated market conditions in the PRC, decrease in demand of second-hand car, increase in competitors and limited license order in China may continue to affect the business of the Company in the coming year.

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. The Company will also keep on exercising stringent cost control, quality assurance, and expense control to minimize operating costs.

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company were investment holding, property holding and trading of second hand left-hand-drive motor vehicles. During the year, the Group had revenue of approximately HK$71,735,000.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 93.

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

SEGMENTAL INFORMATION

Information reported to the Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on trading and distribution of second hand left-hand-drive motor vehicles. As the products and services provided by the Company are all related to trading and distribution of second hand left-hand-drive motor vehicles and subject to similar business risks. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

In view of the fact that the Company mainly operates in Hong Kong, no geographical segment information is presented.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the five largest customers of the Group were less than 30% of the Group's turnover for the year under review.

The Group's five largest suppliers accounted for approximately 62.47% of the purchases and the largest supplier accounted for approximately 30.01% of purchases for the year under review.

None of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

SUMMARY FINANCIAL INFORMATION

The results, assets and liabilities of the Group for the last five financial years are summarised on page 94. 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 39 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 28 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 HK$1,250 from 1 June 2012) 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 31 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Hong Kong Listing Rules) based on the information publicly available to the Company and within the knowledge of the directors

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	Contributed surplus	Accumulated losses	Sub-total	Non-controlling interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	50,091	710	(82,781)	(31,980)	–	(31,980)
Loss for the year, representing total comprehensive expense for the year	–	–	(6,330)	(6,330)	–	(6,330)
At 31 December 2011	50,091	710	(89,111)	(38,310)	–	(38,310)
Profit for the year	–	–	38,791	38,791	(7)	38,784
Capital injection by non-controlling interest	–	–	–	–	3	3
Capital reduction *(Note 31(b))*	–	–	15,472	15,472	–	15,472
Issue of shares pursuant to an open offer *(Note 31(c))*	109,831	–	–	109,831	–	109,831
Transaction costs attributable to issue of shares	(1,823)	–	–	(1,823)	–	(1,823)
At 31 December 2012	**158,099**	**710**	**(34,848)**	**123,961**	**(4)**	**123,957**

(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 40(c) to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2012, 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 2012.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Company and the Group as at 31 December 2012 are set out in note 34 to the financial statements.

SIGNIFICANT ISSUES

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 subsidiaries, Sky Dragon (China) Trading Limited and Express Luck Limited (collectively referred to as "Jumbo Chance Group") (the "Jumbo Chance Acquisition"). Details of the Jumbo Chance 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, 6 January 2012 and 5 April 2012 and the Company's circular dated 16 April 2012 respectively. Jumbo Chance Group is engaged in the trading of second hand left-hand-drive motor vehicles. Details of acquisition of subsidiaries are set out in note 32 to the financial statements.

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.

RELATED PARTY TRANSACTIONS

Except for the disclosure in the note 35 to financial statements, there were no related party transactions in the year under review.

EMPLOYEES

As at 31 December 2012, the Group had a total of 19 employees (2011: 5 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$3,874,000 (2011: HK$818,000). 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.

PLEDGE OF ASSETS

The Group had not pledged its building and prepaid lease payments to secure banking facilities and other borrowings granted to the Group at the end of the reporting period (2011: HK$15,452,000).

PROPERTY VALUATION

A property valuation had been carried out by Roma Appraisals Limited, 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$24,800,000 and HK$2,900,000 respectively giving no impairment loss on land lease prepayment and building (2011 by Ascents Partners Transaction Service Ltd: HK$23,570,000 and HK$2,830,000 respectively).

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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 (the "Jumbo Chance Acquisition). Details are set out in the Company's announcements dated 4 June 2010, 25 June 2010, 29 September 2010, 29 November 2010, 31 January 2011 and 29 March 2011.

There was no outstanding amount at the end of the reporting date not provided for in the consolidated financial statements Capital commitments in respect of the Acquisition (2011: HK$50,000,000).

On 3 January 2012, the Company and the Vendors entered into the fifth deed of variation, the parties mutually agreed to vary the consideration from HK$50,000,000 to HK$60,000,000.

The Acquisition was completed on 5 June 2012 and the consideration was satisfied in cash and promissory note (Details of the consideration transferred is disclosed in Note 32).

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)*	
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

In accordance with clauses 86(2) of the Company's bye-laws, Mr. Lin Huiwen and Mr. Chan Kingsley Chiu Yin, shall retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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 notes 13 and 14 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

All 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 35 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 35 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 does not operate any share option scheme for the year ended 31 December 2012.

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

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	444,350,152
Lo So Wa Lucy (formerly known as Lu Su Hua)	444,350,152
Chan Kingsley Chiu Yin	202,575,000
Lin Huiwen	200,000,000

(a) 32,843,457 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.

(b) 202,575,000 shares were beneficially held by Winsley Investment Limited (approximately 98% of its shares held by Mr. Chan, approximately 1% by his wife, Lo So Wa Lucy (formerly known as Lu Su Hua) and approximately 1% by his son, Chan Kingsley Chiu Yin).

(c) Eternal Victory Enterprises Inc. and Winsley Investment Limited are companies indirectly owned by Mr. Chan Chun Choi, an executive director. Therefore, Mr. Chan Chun Choi is deemed to be interested in those 235,418,457 shares.

(d) Lo So Wa Lucy (formerly known as Ms. Lu Su Hua) is deemed to be interested in the Shares in which her spouse, Mr. Chan Chun Choi, is interested.

(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
	Chan Chun Choi	2,800,000	Non-voting deferred	Corporate *(Note)*
	Chan Kingsley Chiu Yin	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 Chun Choi 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 under the section headed “Directors’ and Chief Executives’ Interests in Share Capital of the Company” and 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
Yip Man Fan	208,931,695	24.32 per cent
Yuen Sau Ying Eva	84,832,000	9.87 per cent

AUDITOR

The Audit Committee reviews the appointment of the Company auditor, its effectiveness and its relationship with the Company, which includes monitoring our use of the auditor for non-audit services and the balance of audit and non-audit fees paid. Following a review of the independence and effectiveness of our Company 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. Each director believes that there is no relevant information of which our Company auditor is unaware. Each has taken all steps necessary as a director to be aware of any relevant audit information and to establish that the auditor is made aware of any pertinent information.

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

Hong Kong, 28 March 2013

CORPORATE GOVERNANCE PRACTICES

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 14 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") except A.2.1 throughout the accounting period covered by the Company's 2012 Annual Report.

NON-COMPLIANCE WITH CODE PROVISION A.2.1

This provision states that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the year ended 31 December 2012, Mr. Chan Chun Choi held the offices of chairman and CEO of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. The Company had made specific enquire of all directors whether the directors have complied with or whether there has been any non-compliance with the required standard set out in the Model Code during the year. The Company satisfied that all directors had fully complied with the required standard set out in the Model Code.

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)*
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

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

The 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, four board meetings were held and the attendance summary is as below:

Name of Director	Number of attendance/Total	Attendance rate
Chan Chun Choi	4/4	100%
Lo So Wa Lucy (formerly known as Lu Su Hua)	4/4	100%
Ip Ka Keung	4/4	100%
Lam King Hang	4/4	100%
Cheung Man Fu	4/4	100%
Lin Huiwen (appointed on 15 August 2012)	1/1	100%
Chan Kingsley Chiu Yin (appointed on 15 August 2012)	1/1	100%

RE-ELECTION OF DIRECTORS

In accordance with clause 86(2) of the bye-laws, Mr. Lin Huiwen and Mr. Chan Kingsley Chiu Yin should retire from their office and offer themselves 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 role of chairman is management of the Board including oversees the functions of the Board and provide leadership for the Board. The management team takes responsibility for the Group's day-to-day business operations.

The positions of chairman of the Board and chief executive officer of the Company are both currently carried on by Mr. Chan Chun Choi. Although Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both chairman and chief executive officer does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of chairman and CEO, are necessary.

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 2012 audit. The Company had been established an internal audit department in 2010.

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.

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$400,000 and for non-audit service was HK$320,000.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three members who are all the INEDs Mr. Ip Ka Keung (Chairman), Dr. Lam King Hang and Mr. Cheung Man Fu. 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 is to:

- consider the appointment of the external auditors, the performance of the external auditors, the audit fee, and any questions of resignation or dismissal;

- review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the Director to be included in the annual accounts prior to endorsement by the Board;

- have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;

- prior to audit commencement, review the scope of the external audit, including the engagement letter. The Committee should understand the factors considered by the external auditor in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;

- review the annual and interim financial reports prior to approval by the Board;

- review the draft representation letter to approval by the Board;

- evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs; inquire of the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;

- seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;

- discuss with the external auditor any recommendations arising from the audit (if necessary in the absence of management); and review the draft management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised;

- ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;

- review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;

- the engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, the prior approval of the Committee is required;

- discuss with management the scope and quality of internal control and risk management systems;

- discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget;

- apprise the Board of significant developments in the course of performing the above duties;

- recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;

- arrangements for employees of the Company to raise concerns about financial reporting improprieties;

- review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules, and regulations;

- establish a whistleblowing policy and system;

- approve the policies relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of an audit; and

- consider other topics, as requested by the Board.

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 2012 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 2012 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 2012 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.

The Audit Committee should meet at least twice per year and convenes additional meetings when necessary.

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

Name of Director	Number of attendance/Total	Attendance rate
Ip Ka Keung *(Chairman)*	3/3	100%
Lam King Hang	3/3	100%
Cheung Man Fu	3/3	100%

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with specific terms of reference. The Remuneration Committee members are all the INEDs Dr. Lam King Hang (Chairman), Mr. Ip Ka Keung and Mr. Cheung Man Fu. 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.

The Remuneration Committee shall:

- formulate remuneration policy for approval by the Board, which shall take into account factors such as salaries paid by comparable companies, employment conditions, and responsibilities, and individual performance of the directors, senior management, and the general staff. Performance shall be measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration policy laid down by the Board;

- without prejudice to the generality of the foregoing:

  – establish guidelines for the recruitment of the Managing Director and senior management;

  – recommend to the Board the policy and structure for the remuneration of directors and senior management whilst ensuring no director or any of his associates is involved in deciding his own remuneration;

  – determine the remuneration of directors and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc). The Chairman and/or the Managing Director shall be consulted respectively about their proposals relating to the remuneration of the Managing Director and/or senior management, as the case may be;

  – review and approve the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive directors and senior management which shall be fair and not excessive;

  – determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets;

  – consider the annual performance bonus for Executive Directors, senior management, and the general staff, having regard to their achievements against the performance criteria by reference to market norms, and make recommendation of the Board;

  – engage such external independent professional advisors to assist and/or advise the Committee on issues as it considers necessary;

  – do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and

  – conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The Remuneration Committee should meet at least once per year and convenes additional meetings when necessary.

During the year, one Remuneration Committee meeting was held and the attendance summary is as below:

Name of Director	**Number of attendance/Total**	**Attendance rate**
Lam King Hang *(Chairman)*	1/1	100%
Ip Ka Keung	1/1	100%
Cheung Man Fu	1/1	100%

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 no share options scheme during the year.

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 2012.

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

2012

	Fees 2012 *HK$'000*	Waived Fees 2012 *HK$'000*	Net fees 2012 *HK$'000*	Salaries, allowances and benefits in kind 2012 *HK$'000*	Contributions to retirement benefits scheme 2012 *HK$'000*	Total 2012 *HK$'000*	Total 2011 *HK$'000*
Executive directors							
Mr. Chan Chun Choi *(Note i)*	6,500	(6,500)	–	–	–	–	–
Ms. Lo So Wa, Lucy *(Note ii)*	198	–	198	–	–	198	100
Mr. Lin Huiwen *(Note iii, iv)*	200	(200)	–	–	–	–	–
Mr. Chan Kingsley Chiu Yin *(Note v)*	91	–	91	–	–	91	–
Sub-total	6,989	(6,700)	289	–	–	289	100
Independent non-executive directors							
Mr. Leung Wai Tat, Henry *(Note vii & viii)*	–	–	–	–	–	–	–
Ms. Leung Wai Kei *(Note ix)*	–	–	–	–	–	–	58
Mr. Ip Ka Keung	100	–	100	–	–	100	100
Dr. Lam King Hang	79	–	79	–	–	79	25
Mr. Cheung Man Fu *(Note vi)*	100	–	100	–	–	100	42
Sub-total	279	–	279	–	–	279	250
Total	**7,268**	**(6,700)**	**568**	**–**	**–**	**568**	**350**

Notes:

i) In the year ended 31 December 2012, Mr. Chan Chun Choi agreed to waive emoluments of approximately HK$6,500,000 (2011: HK$6,500,000) for the year ended 31 December 2012.

ii) Ms. Lo So Wa Lucy is formerly known as Ms. Lu Su Hua.

iii) Mr. Lin Huiwen was appointed on 15 August 2012.

iv) In the year ended 31 December 2012, Mr. Lin Huiwen agreed to waive emoluments of approximately HK$200,000 for the year ended 31 December 2012.

v) Mr Chan Kingsley Chiu Yin was appointed on 15 August 2012.

vi) Mr. Cheung Man Fu was appointed on 1 August 2011.

vii) Mr. Leung Wai Tat, Henry was resigned on 3 June 2011.

viii) In the year ended 31 December 2011, Mr. Leung Wai Tat, Henry agreed to waive his emoluments of approximately HK$42,000 for the year ended 31 December 2011.

ix) Ms. Leung Wai Kei was resigned on 1 August 2011.

The emoluments of the Directors fell within the following bands:

	2012 Number of Directors	2011 Number of Directors
Nil – HK$1,000,000	**7**	7

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established by the Board with specific terms of reference. The members of the Nomination Committee are all the INEDs Mr. Cheung Man Fu (Chairman), Mr. Ip Ka Keung and Dr. Lam King Hang. The Nomination Committee responses to:–

- review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy;

- identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise;

- make recommendations to the Board on matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Managing Director;
- assess the independence of independent non-executive directors and review the Independent Non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the Corporate Governance Report; and
- report back to the Board on decisions or recommendations made, unless there are legal or regulatory restrictions to do so.

The Nomination Committee should meet at least once per year and convenes additional meetings when necessary.

During the year, one Nomination Committee meeting was held and the attendance summary is as below:

Name of Director	Number of attendance/Total	Attendance rate
Cheung Man Fu *(Chairman)*	1/1	100%
Lam King Hang	1/1	100%
Ip Ka Keung	1/1	100%

DIRECTORS' TRAINING

Pursuant to Code A.6.5 of the "Corporate Governance Code", all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The Directors had provided their records of the training they received to the Company for the year ended 31 December 2012.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") has been appointed since 1 August 2011 and must take no less than 15 hours of relevant professional training in each financial year commenced on 1 January 2012 under the rule 3.29 of the Listing Rules. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

SHAREHOLDER RIGHTS

In accordance with the Bye-Laws, any shareholder holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall all time have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for transaction of any business specified in such requisition.

INVESTOR RELATIONS

The Board welcomes shareholders' views on matters affecting the Group, and encourages their attendance at shareholders' meetings to communicate any concerns they may have with the Board or management directly. The Company's Annual General Meeting ("AGM") is an especially important forum.

In respect of any disclosable and significant event, the Company will make accurate and complete disclosure through the publication of announcements, notices, circulars, interim and annual reports in a timely manner on the websites of the Stock Exchange and the Company, pursuant to the disclosure requirements under the Listing Rules.

The Company considers that maintaining on-going and open communications with investors could enhance investors' understanding of and confidence in the Company as well as improving its corporate governance standards. The Company maintains its website at http://www.victoryg.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

盧鄺會計師事務所有限公司
LO AND KWONG C.P.A. COMPANY LIMITED
Audit • Tax • Business Advisory

TO THE MEMBERS OF
VICTORY GROUP LIMITED
華多利集團有限公司
(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") set out on pages 32 to 93, which comprise the consolidated statement of financial position as at 31 December 2012, 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 the 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, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December, 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared 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 Mei Mei
Practising Certificate Number: P05256

Suites 313-317, 3/F., Shui On Centre,
6-8 Harbour Road, Wanchai,
Hong Kong

28 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	7	**71,735**	–
Cost of sales		**(67,828)**	–
Gross Profit		**3,907**	–
Other income	9	**3,823**	91
Selling and distribution expenses		**(4,443)**	–
Administrative expenses		**(10,327)**	(3,974)
Fair value change on contingent consideration	21	**26,998**	–
Gain on bargain purchases of subsidiaries	32	**21,834**	–
Operating profit (loss)		**41,792**	(3,883)
Finance costs	10	**(3,008)**	(2,447)
Profit (loss) before taxation		**38,784**	(6,330)
Income tax expenses	11	**–**	–
Profit (loss) for the year	12	**38,784**	(6,330)
Profit (loss) attributable to:			
Owners of the Company		**38,791**	(6,330)
Non-controlling interest		**(7)**	–
		38,784	(6,330)
			(Restated)
Earnings (loss) per share	16		
Basic (HK Cents)		**7.91**	(81.78)
Diluted (HK Cents)		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) for the year	**38,784**	(6,330)
Total comprehensive income (expense) for the year	**38,784**	(6,330)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**38,791**	(6,330)
Non-controlling interest	**(7)**	–
	38,784	(6,330)

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**2,147**	1,748
Prepaid lease payments – non current portion	18	**12,948**	13,329
Contingent consideration receivable – non current portion	21	**9,955**	–
Prepayments – non-current portion	22	**21,517**	–
		46,567	15,077
CURRENT ASSETS			
Inventories	19	**28,560**	–
Trade receivables	20	**263**	–
Contingent consideration receivable – current portion	21	**17,043**	–
Prepayments, deposits and other receivables	22	**35,453**	59
Prepaid lease payments – current portion	18	**381**	381
Prepaid tax		**57**	–
Bank balances and cash	23	**24,675**	16
		106,432	456
CURRENT LIABILITIES			
Trade payables	24	**1,990**	100
Other payables and accruals	25	**3,011**	5,089
Deposit received		**392**	–
Amounts due to directors	26	**4,941**	4,572
Bank overdrafts	27	**–**	2,123
Bank and other borrowings	28	**–**	26,479
Promissory note payable – current portion	29	**14,604**	–
		24,938	38,363
NET CURRENT ASSETS (LIABILITIES)		**81,494**	(37,907)
TOTAL ASSETS LESS CURRENT LIABILITIES		**128,061**	(22,830)

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITY			
Promissory note payable – non-current portion	29	**3,245**	–
NET ASSETS (LIABILITIES)		**124,816**	(22,830)
CAPITAL AND RESERVES			
Share capital	31	**859**	15,480
Reserves		**123,961**	(38,310)
Equity attributable to the owners of the Company		**124,820**	(22,830)
Non-controlling interest		**(4)**	–
TOTAL EQUITY		**124,816**	(22,830)

The consolidated financial statements on pages 32 to 93 were approved and authorised for issue by the board of directors on 28 March 2013 and are signed on its behalf by:

Chan Chun Choi
DIRECTOR

Lo So Wa Lucy
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000* *(Note a)*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interest *HK$'000*	Total *HK$'000*
At 1 January 2011	15,480	50,091	710	(82,781)	(16,500)	–	(16,500)
Loss for the year, representing total comprehensive expense for the year	–	–	–	(6,330)	(6,330)	–	(6,330)
At 31 December 2011	15,480	50,091	710	(89,111)	(22,830)	–	(22,830)
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**–**	**38,791**	**38,791**	**(7)**	**38,784**
Capital injection by non-controlling interest	–	–	–	–	–	3	3
Capital reduction *(Note 31(b))*	(15,472)	–	–	15,472	–	–	–
Issue of shares pursuant to an open offer *(Note 31(c))*	851	109,831	–	–	110,682	–	110,682
Transaction costs attributable to issue of shares	–	(1,823)	–	–	(1,823)	–	(1,823)
At 31 December 2012	**859**	**158,099**	**710**	**(34,848)**	**124,820**	**(4)**	**124,816**

(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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**38,784**	(6,330)
Adjustments for:		
Interest income	**(13)**	–
Interest expenses	**3,008**	2,447
Depreciation of property, plant and equipment	**120**	53
Amortisation of prepaid lease payments	**381**	381
Waiver of a director's emolument	**–**	(91)
Waiver of interest on other loan	**(2,499)**	–
Fair value change on contingent consideration	**(26,998)**	–
Gain on bargain purchases of subsidiaries	**(21,834)**	–
Loss on disposal of property, plant and equipment	**16**	–
Operating cash flows before movements in working capital	**(9,035)**	(3,540)
Decrease in inventories	**16,709**	–
Increase in trade receivables	**(263)**	–
Increase in prepayment, deposits and other receivables	**(3,241)**	(1)
Decrease in trade payables	**(2,431)**	–
(Decrease) increase in other payables and accruals	**(9,129)**	891
Decrease in deposit received	**(2,451)**	–
Increase (decrease) in amounts due to directors	**369**	(101)
Cash used in operations	**(9,472)**	(2,751)
Income tax paid	**(11,293)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(20,765)**	(2,751)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(515)**	–
Proceeds from disposal of property, plant and equipment	**4**	–
Bank interest received	**13**	–
Proceeds from acquisition of subsidiaries	**(35,265)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(35,763)**	–
FINANCING ACTIVITIES		
Interest paid	**(1,569)**	(603)
Repayment of bank and other borrowings	**(13,480)**	–
Proceeds from other borrowings	**–**	3,500
Proceeds from issue of shares pursuant to an open offer	**108,859**	–
NET CASH FROM FINANCING ACTIVITIES	**93,810**	2,897
NET INCREASE IN CASH AND CASH EQUIVALENTS	**37,282**	146
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**(12,607)**	(12,753)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**24,675**	(12,607)
CASH AND CASH EQUIVALENTS, represented by:		
Bank balances and cash	**24,675**	16
Bank overdrafts	**–**	(2,123)
Bank revolving loan	**–**	(10,500)
	24,675	(12,607)

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 set out by the Stock Exchange, 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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and its subsidiaries.

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the investment holding, property holding and trading of second hand left-hand-drive motor vehicles during the year ended 31 December 2012.

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

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

Amendments to HKFRS 1	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
Amendments to HKFRS 7	*Financial Instruments: Disclosures – Transfers of Financial Assets*
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets*

The application of the amendments to HKFRSs and HKASs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC*) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[1]

* *IFRIC represents the International Financial Reporting Interpretations Committee*

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

– All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards would not have significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below:

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and 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 in line with those used by other members of the Group.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.3 Subsidiaries

A subsidiary is a company in which the Company directly or indirectly controls more than half of the voting power, or controls the composition of the board of directors. Investments in subsidiaries are carried in the Company's statement of financial position at cost less accumulated impairment loss.

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Revenue recognition *(Continued)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.5 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.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and building elements in proportion to relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 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) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Retirement benefit costs and short-term employee benefits

(a) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF") are recognised 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.

3.8 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 before tax" 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 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.9 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 in the consolidated statement of financial position 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Impairment losses on 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the 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. When 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 of the time value of money is material).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points 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 debt instrument, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "fair value change on contingent consideration" line item in the consolidated income statement. Fair value is determined in the manner described in Note 21.

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 trade receivables, other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when 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 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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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, and an increase in the number of delayed payments in the portfolio past the average credit period of 30 days.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the next carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expired, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial instruments *(Continued)*

Derecognition *(Continued)*

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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are 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.

3.13 Bank balances and cash

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. 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.

3.14 Borrowing costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person, (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies;

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is controlled or jointly controlled by a person identified in (a); and

(vi) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3 to the consolidated financial statements, the Directors are required to make judgments, 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 ongoing 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(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) Estimated impairment losses for property, plant and equipment and prepaid lease payments

The impairment losses for property, plant and equipment and prepaid lease payments are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amount is the greater of the fair value less costs to sell and the value-in-use. The Directors appointed an independent qualified professional valuers, Roma Appraisals Limited ("Roma"), to perform property valuations based on prices realised on actual sales of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values. The fair value of the building and prepaid lease payment at 31 December 2012 are HK$2,900,000 and HK$24,800,000 (2011: HK$2,830,000 and HK$23,570,000) respectively. Therefore, the Directors consider that no impairment losses on the building and prepaid lease payments were recognised for the years ended 31 December 2012 and 2011.

(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 judgment. A considerable amount of judgment 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Fair value of contingent consideration arising from business combination

Contingent consideration arising from business combination is valued using a discounted cash flow model, based on the estimated compensation received by the Group, discounted using the applicable prevailing market rate. The estimation of the compensation is based on the estimated profits of Jumbo Chance Holdings Limited and its subsidiaries (collectively referred to as the "Jumbo Chance Group") attributable to the Group.

The estimation of compensation involves assumptions, such as selling quantities, market prices of second hand left-hand-drive vehicles. Should there be only significant changes in these assumptions or prevailing market rate, the fair value of contingent consideration arising from business combination will change from period to period. As at 5 June 2012, being the completion date of acquisition of the entire equity interest in Jumbo Chance Holdings Limited ("Jumbo Chance"), the fair value of contingent consideration for the remaining periods is estimated to be insignificant. During the year ended 31 December 2012, a fair value change in contingent consideration of approximately HK$26,998,000 was recognised in the consolidated income statement which was mainly due to an unanticipated market down turn of the second left-hand-drive vehicles in the People's Republic of China ("PRC") during the year ended 31 December, 2012. Details of the contingent consideration are disclosed in note 21.

(e) Fair value of promissory note at the issuance date and carrying value of subsequent measurement

A promissory note with principal amount of HK$22,000,000 was issued on 5 June 2012 by the Company represented part of the consideration for the acquisition of the entire equity interest in Jumbo Chance. According to the valuation report issued by BMI Appraisals Limited, an independent professional valuer, the fair value of the promissory note was determined to be approximately HK$16,410,000 at the issuance date. The promissory note was valued by discounted cash flow method using effective interest rate of 15.9%. At 31 December 2012, based on the Directors' best estimation, the current liability and non-current liability portion of the promissory note amounted to approximately HK$14,604,000 and HK$3,245,000 respectively. (Details of the promissory note are disclosed in Note 29 to the consolidated financial statements.)

5. FINANCIAL INSTRUMENTS

Categories of financial instrument:

(i) Financial assets

	2012	2011
	HK$'000	*HK$'000*
Loans and receivables		
Trade receivables	**263**	–
Other receivables	**24,500**	–
Bank balances and cash	**24,675**	16
	49,438	16
Assets at fair value through profit or loss		
Contingent consideration receivable	**26,998**	–
	76,436	16

(ii) Financial liabilities

	2012	2011
	HK$'000	*HK$'000*
Other financial liabilities at amortised cost		
Trade payables	**1,990**	100
Other payables and accruals	**3,011**	5,089
Amounts due to directors	**4,941**	4,572
Bank overdrafts	**–**	2,123
Bank and other borrowings	**–**	26,479
Promissory note payable	**17,849**	–
	27,791	38,363

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including trade receivable, contingent consideration receivable, other receivables, bank balances and cash, trade payables, other payables and accruals, amounts due to directors, bank overdrafts, bank and other borrowings and promissory note payable. 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) Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

The Group operates in Hong Kong with most of the transactions denominated and settled in HK$. The Group's foreign currencies are mainly US dollars ("USD") and Japanese Yen ("JPY"). Foreign currency risk arises from financial assets and transactions which were denominated in currencies other than the functional currencies of the Group entities.

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

	2012	2011
	HK$'000	*HK$'000*
USD	**234**	–
JPY	**11**	11

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.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in USD and JPY against HK$ 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. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. A positive number below indicates a decrease in profit for the year and other equity where HK$ strengthen 5% (2011: 5%) against USD and JPY. For a 5% (2011: 5%) weakening of HK$ against USD and JPY, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	USD Impact		JPY Impact	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) for the year	**12**	–	**1**	1

(ii) Interest rate risk

The Company's exposure to cash-flow interest rate risk is mainly on bank balances carried at prevailing market rate. However, such exposure is minimal to the Company as they are short term in nature.

The Directors are of the opinion that the interest rate risk is considered minimal and thus no sensitivity analysis is presented.

(b) Credit risk

As at 31 December 2012, 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 trade receivables, contingent consideration receivables, other receivables and bank balances, as stated in the consolidated statement of financial position.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents considered adequate by management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Management reviews and monitors its working capital requirements regularly.

At the end of the reporting period, the Group's financial liabilities have contractual maturities which are summarised below:

	Weighted average interest rate	**Within 1 year or on demand**	**Less than 2 years**	**Total undiscounted cash flows**	**Carrying amount**
	%	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
2012					
Trade payables	–	**1,990**	–	**1,990**	**1,990**
Other payables and accruals	–	**3,011**	–	**3,011**	**3,011**
Amounts due to directors	–	**4,941**	–	**4,941**	**4,941**
Promissory note payable	**15.90**	**18,000**	**4,000**	**22,000**	**17,849**
		27,942	**4,000**	**31,942**	**27,791**

	Weighted average interest rate	Within 1 year or on demand	Less than 2 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011					
Trade payables	–	100	–	100	100
Other payables and accruals	–	5,089	–	5,089	5,089
Amounts due to directors	–	4,572	–	4,572	4,572
Bank overdrafts	5.25	2,234	–	2,234	2,123
Bank and other borrowings:					
– Bank revolving loan	3.70	10,889	–	10,889	10,500
– Other loans	18.12	18,874	–	18,874	15,979
		41,758	–	41,758	38,363

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Fair values

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

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

– Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

– Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group did not have any level 1 and 2 financial instruments measured at fair value at the end of the reporting period.

	2012
	Level 3
	HK$'000
Contingent consideration receivable	**26,998**

Reconciliation of Level 3 fair value measurements of financial assets

	Contingent consideration receivable *HK$'000*
At 1 January 2011, 31 December 2011 and 1 January 2012	–
Gain recognised in the income statement due to change in fair value consolidated during the period	**26,998**
At 31 December 2012	**26,998**

7. REVENUE

	2012	2011
	HK$'000	*HK$'000*
Trading and distribution of second hand left-hand-drive motor vehicles	**71,735**	–

8. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the 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 of 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 a new operating and reportable segment of the Group for the year ended 31 December 2012. Since this is the only one operating and reportable segment of the Group, no further analysis thereof is presented. All the revenue of the Group are generated from trading and distribution of second hand left-hand-drive motor vehicles for the year ended 31 December 2012 (2011: Nil).

Geographical information

The Group's operations are in Hong Kong. All the revenue from external customer of the Group are generated from customers located in Hong Kong. All the non-current assets of the Group are located in Hong Kong.

Information about major customers

There was no single customer accounting for over 10% of total revenue of the Group during the years ended 31 December 2012 and 31 December 2011.

9. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Waiver of a director's emolument	**–**	91
Waiver of interest on other loan *(Note 28(ii))*	**2,499**	–
Interest income	**13**	–
Exchange gain, net	**354**	–
Other income	**957**	–
	3,823	91

10. FINANCE COSTS

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

	2012	2011
	HK$'000	*HK$'000*
Interest on:		
– Bank overdrafts	**–**	105
– Bank borrowings	**223**	386
– Other borrowings *(Note)*	**1,318**	1,956
– Bills payables	**28**	–
– Imputed interest on promissory note payable *(Note 29)*	**1,439**	–
	3,008	2,447

Note:

It included overdue interest for overdue loans from an independent third party and a financial institution amounted to approximately HK$591,000 (2011: HK$1,273,000) and HK$727,000 (2011: HK$362,000) respectively for the year ended 31 December 2012.

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 2012 and 2011.

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.

11. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the years can be reconciled to the profit (loss) before tax per the consolidated income statement as follows:

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) before tax	**38,784**	(6,330)
Tax at the applicable tax rate	**6,399**	(1,050)
Tax effect of income not taxable for tax purpose	**(8,471)**	(15)
Tax effect of expenses not deductible for tax purpose	**493**	950
Tax effect of tax losses not recognised	**1,628**	116
Tax effect of temporary differences not recognised	**(49)**	(1)
Income tax expense	**–**	–

12. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit services	**400**	400
– Other services	**320**	890
	720	1,290
Cost of inventories recognised as an expense	**67,828**	–
Amortisation of prepaid lease payments	**381**	381
Depreciation of property, plant and equipment	**120**	53
Loss on disposal of property, plant and equipment	**16**	–
Minimum lease payments under operating lease in respect of rented premises	**311**	69
Staff costs *(Note 13)*	**3,874**	818

13. EMPLOYEES' EMOLUMENTS (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – NOTE 14)

	2012 HK$'000	2011 HK$'000
Salaries, allowances and other benefits in kind	**3,735**	790
Contributions to retirement benefits scheme	**139**	19
Provision for annual leave payments	**–**	9
	3,874	818

Of the five individuals with the highest emoluments in the Group, none (2011: four) were Directors whose emolument are included in the disclosures in Note 14 below. The emolument of the remaining five (2011: one) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and other benefits in kind	**1,466**	150
Contributions to retirement benefits scheme	**49**	5
	1,515	155

The emoluments of each of the above employees were less than HK$1,000,000 during the two years ended 31 December 2012 and 2011.

During the two years ended 31 December 2012 and 2011, no emoluments was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of seven (2011: seven) directors were as follow:

2012

	Fees *HK$'000*	Waived fees *HK$'000*	Net fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Contributions to retirement benefits scheme *HK$'000*	Total *HK$'000*
Executive director and chief executive						
Mr. Chan Chun Choi *(Note i)*	6,500	(6,500)	–	–	–	–
Executive directors						
Ms. Lo So Wa, Lucy	198	–	198	–	–	198
Mr. Lin Huiwen *(Note ii & iii)*	200	(200)	–	–	–	–
Mr. Chan Kingsley Chiu Yin *(Note iv)*	91	–	91	–	–	91
Sub-total	6,989	(6,700)	289	–	–	289
Independent non-executive directors						
Mr. Ip Ka Keung	100	–	100	–	–	100
Dr. Lam King Hang	79	–	79	–	–	79
Mr. Cheung Man Fu	100	–	100	–	–	100
Sub-total	279	–	279	–	–	279
Total	7,268	(6,700)	568	–	–	568

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

2011

	Fees HK$'000	Waived fees HK$'000	Net fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive director and chief executive						
Mr. Chan Chun Choi *(Note i)*	6,500	(6,500)	–	–	–	–
Executive director						
Ms. Lo So Wa, Lucy	100	–	100	–	–	100
Sub-total	6,600	(6,500)	100	–	–	100
Independent non-executive directors						
Mr. Leung Wai Tat, Henry *(Note v & vi)*	42	(42)	–	–	–	–
Ms. Leung Wai Kei *(Note vii)*	58	–	58	–	–	58
Mr. Ip Ka Keung	100	–	100	–	–	100
Dr. Lam King Hang	50	–	50	–	–	50
Mr. Cheung Man Fu *(Note viii)*	42	–	42	–	–	42
Sub-total	292	(42)	250	–	–	250
Total	6,892	(6,542)	350	–	–	350

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Notes:

i) Mr. Chan Chun Choi agreed to waive his emoluments of approximately HK$6,500,000 (2011: HK$6,500,000) for the year ended 31 December 2012.

ii) Mr. Lin Huiwen was appointed on 15 August 2012.

iii) Mr. Lin Huiwen agreed to waive his emoluments of approximately HK$200,000 for the year ended 31 December 2012.

iv) Mr. Chan Kingsley Chiu Yin was appointed on 15 August 2012.

v) Mr. Leung Wai Tat, Henry was resigned on 3 June 2011.

vi) Mr. Leung Wai Tat, Henry agreed to waive his emoluments of approximately HK$42,000 for the year ended 31 December 2011.

vii) Ms. Leung Wai Kei was resigned on 1 August 2011.

viii) Mr. Cheung Man Fu was appointed on 1 August 2011.

During the two years ended 31 December 2012 and 2011, no emolument was paid by the Group to the Directors or chief executive 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 2012, nor has any dividend been proposed since the end of the reporting period (2011: HK$Nil).

16. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the profit attributable to owners of the Company of approximately HK$38,791,000 (2011: loss of HK$6,330,000) and the weighted average of 490,592,443 (2011: 7,740,058 (restated)) ordinary shares of the Company in issue during the year.

No diluted earnings (loss) per share has been presented as there was no dilutive potential ordinary share in existence for the years ended 31 December 2012 and 2011.

17. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2011, 31 December 2011 and 1 January 2012	2,661	69	567	1,136	2,421	6,854
Additions	–	–	425	70	20	515
Disposal	–	(69)	(382)	(1,026)	(20)	(1,497)
Acquisition of subsidiaries	–	–	67	28	–	95
At 31 December 2012	**2,661**	**–**	**677**	**208**	**2,421**	**5,967**
ACCUMULATED DEPRECATION						
At 1 January 2011	871	69	567	1,125	2,421	5,053
Provided for the year	48	–	–	5	–	53
At 31 December 2011 and 1 January 2012	919	69	567	1,130	2,421	5,106
Provided for the year	48	–	56	16	–	120
Eliminated on disposal	–	(69)	(382)	(1,026)	–	(1,477)
Acquisition of subsidiaries	–	–	58	13	–	71
At 31 December 2012	**967**	**–**	**299**	**133**	**2,421**	**3,820**
CARRYING VALUES						
At 31 December 2012	**1,694**	**–**	**378**	**75**	**–**	**2,147**
At 31 December 2011	1,742	–	–	6	–	1,748

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 2012, the Group has not pledged its building to secure general banking facilities and other borrowings. At 31 December 2011, the Group's building with carrying amount of approximately HK$1,742,000 was pledged to secure general banking facilities and other borrowings as set out in Note 28 to the consolidated financial statements.

The Directors appointed an independent qualified professional valuers, Roma, to perform property valuations based on prices realised on actual sales of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values. The fair value of the building at 31 December 2012 is HK$2,900,000 (2011: HK$2,830,000). As a result, no impairment loss on the building was recognised for the years ended 31 December 2012 and 2011.

18. PREPAID LEASE PAYMENTS

	HK$'000
COST	
At 1 January 2011, 31 December 2011 and 31 December 2012	**20,945**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2011	6,854
Amortisation for the year	381
At 31 December 2011 and 1 January 2012	7,235
Amortisation for the year	381
At 31 December 2012	**7,616**
CARRYING VALUES	
At 31 December 2012	**13,329**
At 31 December 2011	13,710

	2012	2011
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Non-current asset	**12,948**	13,329
Current asset	**381**	381
	13,329	13,710

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

The Group's prepaid lease payment with carrying amount of approximately HK$13,710,000 was pledged to secure general banking facilities and other borrowings at 31 December 2011 as set out in Note 28 to the consolidated financial statements. The pledge has been released during the year ended 31 December 2012.

The Directors appointed an independent qualified professional valuer, Roma, to perform property valuations based on prices realised on actual sales of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values. The fair value of the prepaid lease payments at 31 December 2012 is HK$24,800,000 (2011: HK$23,570,000). As a result, no impairment loss on the prepaid lease payments was recognised for the years ended 31 December 2012 and 2011.

19. INVENTORIES

	2012	2011
	HK$'000	*HK$'000*
Second hand left-hand-drive motor vehicles	**28,560**	–

None of the inventories is carried at net realisable value as at 31 December 2012.

20. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**263**	–

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables presented based on the date of delivery of goods which approximated the respective revenue recognition dates at the end of the reporting period.

	2012	2011
	HK$'000	*HK$'000*
0-30 days	**263**	–

As at 31 December 2012 and 2011, all of the trade receivables are neither past due nor impaired.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted and up to the reporting date. In view of the good settlement history from the debtors of the Group, the Directors consider that there is no impairment loss should be recognised for the year. The Group does not hold any collateral over these balances.

21. CONTINGENT CONSIDERATION RECEIVABLE

	2012 HK$'000	2011 HK$'000
Analysed as:		
– Non-current portion	**9,955**	–
– Current portion	**17,043**	–
	26,998	–

Pursuant to the announcement of the Company dated 4 June 2010, 6 January 2012 and 5 April 2012 and the circular of the Company dated 16 April 2012, the Group has entered into a sale and purchase agreement (the "Agreement") with Long Triumph Holdings Limited (the "Vendor") and Ms. Leung Oi Lan, Kit (the "Guarantor/ Ms. Leung") for acquiring the entire issued share capital of the Jumbo Chance, at an aggregate consideration of HK$60,000,000 (the "Jumbo Chance Acquisition"). The consideration will be satisfied by the Company as to i) HK$38,000,000 in cash; and ii) the issue of a HK$22,000,000 promissory note ("Promissory Note") upon completion. The Promissory Note was interest free and cannot be converted into shares of the Company. On 5 June 2012, the Group has completed the Jumbo Chance Acquisition. (Details of the Promissory Note are disclosed in Note 29 to the consolidated financial statements.)

Pursuant to the Agreement, the Vendor and the Guarantor has jointly, severally, irrevocably and unconditionally warranted, guaranteed and undertaken to and with the Company that the consolidated net profits of the Jumbo Chance Group for each of the one-year period from 1 April 2012 to 31 March 2013 (the "First Relevant Period") and the one-year period from 1 April 2013 to 31 March 2014 (the "Second Relevant Period") as to be shown in the audited accounts of the Jumbo Chance Group for such period to be prepared by a certified public accountants acceptable to the Company shall not be less than HK$15,000,000 (the "Target Sum").

In the event that the net profits of the Jumbo Chance Group for each of the First Relevant Period and the Second Relevant Period is less than the Target Sum, the Company shall be entitled to a cash sum within seven business days after the issue of the consolidated accounts of the Jumbo Chance Group of each of the First Relevant Period and the Second Relevant Period calculated as the Target Sum minus the net profits of the relevant year (the "Shortfall Amount").

21. CONTINGENT CONSIDERATION RECEIVABLE *(Continued)*

The Shortfall Amount shall first be deducted from any outstanding amounts due to the Vendor under the Promissory Note and to the extent insufficient to cover the Shortfall Amount, shall be paid by the Vendor to the Company in cash within seven business days after the issue of the audited consolidated accounts of the Jumbo Chance Group for the relevant year. The Shortfall Amount to be paid by the Vendor and the Guarantor under the Agreement shall, in no event, exceed HK$30,000,000.

As the Jumbo Chance Group has incurred a loss of approximately HK$263,000 for the period from 1 April 2012 to 31 December 2012, the Directors expected that Jumbo Chance Group would not be able to meet the Target Sum for the First Relevant Period and Second Relevant Period and according to the valuation report issued by BMI Appraisals Limited, an independent professional valuer, the fair value of the contingent asset arising from the failure to meet the Target Sum for the First Relevant Period and the Second Relevant Period at 31 December 2012 is amounting to approximately HK$17,043,000 and HK$9,955,000 respectively. Hence, an amount of approximately HK$26,998,000 has been recognised as a fair value change on contingent consideration accordingly for the year ended 31 December 2012.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Prepayment *(Note a)*		
– Non-current portion	**21,517**	–
– Current portion	**10,800**	1
	32,317	1
Other receivables *(Note b)*	**24,500**	44
Less: Accumulated impairment loss on other receivables	**–**	(44)
Other receivables, net	**24,500**	–
Deposits	**123**	58
Purchase deposits	**30**	–
Total prepayment, deposits and other receivables	**56,970**	59
Less: prepayment classified as non-current assets	**(21,517)**	–
Prepayment, deposits and other receivables – current portion	**35,453**	59

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) During the year ended 31 December 2012, Sky Dragon (China) Trading Limited ("Sky Dragon"), a wholly owned subsidiary of the Company, made advance payments to twelve PRC corporations/enterprises (collectively referred to as the "PRC Sale Representatives"). The prepayment was paid for the purpose of set-up sales desks for Sky Dragon to promote its brand name "汽車花園" in PRC, especially in the Guangdong Province. The services periods range from 3 to 5 years with services fee of HK$3,000,000 for each of the PRC Sale Representative, total of HK$36,000,000 has been paid during the current year. Service fee amounted to approximately HK$3,683,000 (2011: HK$Nil) has been recognised in the consolidated income statement during the year ended 31 December 2012 using straight-line basis amortised over the service period. As at 31 December 2012, approximately HK$21,517,000 and HK$10,800,000 (2011: HK$Nil and HK$Nil) are classified as non-current assets and current assets respectively.

(b) This represents the amount due from Ms. Leung, a former beneficial owner of Jumbo Chance. At 31 December 2012, the carrying amount due from Ms. Leung was wholly due to Sky Dragon with amount of approximately HK$24,500,000, the amount due is unsecured, non-interest bearing and repayable on demand. Subsequent to the reporting period, Sky Dragon entered into a repayment arrangement agreement (the "Repayment Arrangement Agreement") with Ms. Leung and Mountain Purple Limited ("Mountain Purple") on 27 March 2013, the outstanding amount due from Ms. Leung was undertaken by Mountain Purple as set out in Note 41 to the consolidated financial statements. As a result, the Directors are of the opinion that no impairment should be recognised on such balance.

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

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**44**	44
Written-off	**(44)**	–
At 31 December	**–**	44

The Group does not hold any collateral over these balances.

23. BANK BALANCES AND CASH

	2012	2011
	HK$'000	*HK$'000*
Bank balances and cash	**24,675**	16

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

The bank balances and cash of the Group that are denominated in a currencies other than the functional currency of the entity to which are stated as follows:

	2012	2011
	'000	*'000*
JPY	**124**	127
USD	**30**	–

24. TRADE PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**1,990**	100

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

	2012	2011
	HK$'000	*HK$'000*
1-30 days	**570**	–
31-61 days	**–**	–
61-90 days	**1,320**	–
Over 1 year	**100**	100
	1,990	100

The average credit period on purchase of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within timeframe.

25. OTHER PAYABLES AND ACCRUALS

	2012 HK$'000	2011 HK$'000
Other payables	**2,357**	2,327
Accruals	**654**	2,762
	3,011	5,089

26. AMOUNTS DUE TO DIRECTORS

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

27. BANK OVERDRAFTS

	2012 HK$'000	2011 HK$'000
Bank overdrafts	**–**	2,123

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

28. BANK AND OTHER BORROWINGS

	2012 HK$'000	2011 HK$'000
Bank borrowings:		
Secured bank revolving loan *(Note i)*	**–**	10,500
Other borrowings:		
Secured loans from a third party *(Note ii)*	**–**	11,907
Secured loan from a financial institution *(Note iii)*	**–**	4,072
	–	15,979
	–	26,479

28. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(i) At 31 December 2011, the bank revolving loan bear interest at HIBOR plus 3.5% per annum.

At 31 December 2011, the banking facilities of HK$14,000,000 are secured by the Group's building and prepaid lease payments with an aggregate carrying amount of approximately HK$15,452,000, joint personal guarantee and corporate guarantee to be executed by the director, Mr. Chan Chun Choi and the Company of HK$14,000,000. The facilities were utilised by the Group for a secured bank revolving loan of approximately HK$10,500,000 at 31 December 2011.

During the year ended 31 December 2012, the Group has settled the secured bank revolving loan and the charges on the Group's building and prepaid lease payments has been released.

(ii) At 31 December 2011, in respect of the loans from a third party 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 would be charged on the outstanding amount of the Overdue Loans at the rate of 12% per annum until full repayment and the outstanding amounts which included the principal amount and the accumulated loan interest payable were approximately HK$11,907,000 as at 31 December 2011. 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 year ended 31 December 2012, the Group settled the Overdue Loans, all the relevant interest charged on the outstanding amount of the Overdue Loans has been waived by the lender. The waiver of interest charged amounted to approximately HK$2,499,000 (2011: HK$Nil) has been recognised in the consolidated income statement during the year ended 31 December 2012 and the charges on the Group's building and prepaid lease payments has been released.

(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, 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 and personnel guarantee to be executed by the directors, Ms. Lo So Wa Lucy and Mr. Chan Chun Choi.

As the loan has been expired on 27 September 2011, the Group has already breached the repayment terms of the loan and further interest had been charged on the outstanding sum at the rate of 3% per month. At 31 December 2011, the outstanding amount which included the principal amount and the accumulated loan interest payable were approximately HK$4,072,000.

During the year ended 31 December 2012, the Group settled the principal amount of the loan of HK$3,500,000, together with the all interests accrued on 27 September 2011 and the charges on the Group's building and prepaid lease payments has been released.

29. PROMISSORY NOTE PAYABLE

	2012	2011
	HK$'000	HK$'000
At 1 January	–	–
Issue during the year at fair value	16,410	–
Imputed interest	1,439	–
At 31 December	17,849	–

	2012	2011
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Non-current liability	3,245	–
Current liability	14,604	–
At 31 December	17,849	–

As disclosed in Notes 21 and 32 to the consolidated financial statement, the Group has completed the Jumbo Chance Acquisition during the year ended 31 December 2012. The Promissory Note represented part of the consideration for the Jumbo Chance Acquisition.

The Promissory Note is non-interest bearing and cannot be converted or exchanged into shares of the Company. The Promissory Note will be settled within 60 days after the determination of the Shortfall Amount for each of the First Relevant Period and the Second Relevant Period or such other date as may be agreed in writing between the parties. (Details of the Shortfall Amount are disclosed in Note 21 to the consolidated financial statement.)

According to the valuation report issued by BMI Appraisals Limited, an independent professional valuer, the fair value Promissory Note is determined to be approximately HK$16,410,000 at the issuance date.

30. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of approximately HK$138,005,000 (2011: HK$128,138,000). No deferred tax assets has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams of the Group. The tax losses can be carried forward indefinitely.

31. SHARE CAPITAL

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

31. SHARE CAPITAL *(Continued)*

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 each.

(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 each (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$1.99 per issued Consolidated Share (the "Capital Reorganisation"). The credit arising from the Capital Reorganisation will be applied to set-off against the accumulated losses 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 special 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.

32. ACQUISITION OF SUBSIDIARIES

As stated in Note 21 to the consolidated financial statements, Jumbo Chance Acquisition was completed on 5 June 2012. Jumbo Chance Group became the wholly-owned subsidiaries of the Company upon completion. Details of the Jumbo Chance 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, 6 January 2012 and the Company's circular dated 16 April 2012 respectively. Jumbo Chance Group is engaged in the trading and distribution of second hand left-hand-drive motor vehicles.

The consideration was satisfied in cash and Promissory Note as stated as below:

	HK$'000
Cash consideration	38,000
Promissory Note at fair value *(Note 29)*	16,410
Adjusted consideration	54,410

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.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

The Directors are of the opinion that the acquiree's assets and liabilities approximate their fair values. The assets and liabilities acquired from the Jumbo Chance Acquisition and the gain on bargain purchase arising are as follows:

Assets acquired and liabilities recognised at the date of completion:

	HK$'000
Plant and equipment	24
Inventories	45,269
Prepayments, deposits and other receivables	2,005
Amount due from a director	51,662
Bank balances and cash	2,735
Trade and bills payable	(4,321)
Other payables and accruals	(7,051)
Deposit received	(2,843)
Tax liabilities	(11,236)
	76,244
Gain on bargain purchase	(21,834)
Consideration transferred	54,410

Net cash outflow arising on acquisition

	HK$'000
Consideration paid in cash	(38,000)
Less: Cash and cash equivalent balances acquired	2,735
	(35,265)

Included in the profit for the year is the loss of approximately HK$3,814,000 attributable to the additional business generated by Jumbo Chance Group. Revenue for the year includes approximately HK$71,735,000 generated from Jumbo Chance Group.

Had the Jumbo Chance Acquisition been effected at 1 January 2012, the Group's total revenue for the year would have been approximately HKD185,858,000 and profit for the year would have been HKD48,241,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the Jumbo Chance Acquisition been competed at 1 January 2012, nor is it intended to be a projection of future results.

33. OPERATING LEASES

The Group as lessee

	2012	2011
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year:		
– Premises	**311**	69

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:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**240**	15

The Group leases premises under an operating lease. The lease runs for an initial period of two years (2011: 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 any contingent rental.

34. CONTINGENT LIABILITIES

As disclosed in Note 28(iii) to the consolidated financial statement, a loan of HK$3,500,000 borrowed from a financial institution together with the interest thereon should be repaid on 27 September 2011. As the Group failed to settle an outstanding amount as at 27 September 2011, further interest had been charged on the outstanding amount at the rate of 3% per month. The principal amount which included the principal amount and the accumulated loan interest payable were outstanding as at 31 December 2011. The Group breached the repayment terms of the loan. As a result, a claim may be made against the Group by the financial institution for the immediate repayment of the principal amount and accrued interest together with the said expenses, and instituting legal proceedings against the Group.

During the year ended 31 December 2012, the Company settled the loan of HK$3,500,000, together with the accumulated interest have been repaid on 27 September 2011.

35. MATERIAL RELATED PARTY TRANSACTIONS

(a) Balances with directors:

	2012	2011
	HK$'000	*HK$'000*
Non-trade balances due to directors	**4,941**	4,572

(b) Key management personnel compensation

Key management personnel of the Group in 2012 and 2011 included all Directors and details of their emolument are disclosed in Note 14 to the consolidated financial statement.

	2012	2011
	HK$'000	*HK$'000*
Fees, salaries, allowances and benefits in kind	**568**	350

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt which includes the bank overdrafts, bank and other borrowings and promissory note payable, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves and accumulated losses.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt.

37. PLEDGED OF ASSET

The Group had pledged 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:

	2012 HK$'000	2011 HK$'000
Building *(Note 17)*	–	1,742
Prepaid lease payments *(Note 18)*	–	13,710
	–	15,452

38. CAPITAL COMMITMENT

Capital commitments in respect of the Jumbo Chance Acquisition outstanding at each of the end of the reporting date not provided for in the consolidated financial statements were as follows:

	2012 HK$'000	2011 HK$'000
Contracted for *(Note)*	–	50,000

Note:

On 3 January 2012, the Company and the Vendors entered into the fifth deed of variation, the parties mutually agreed to vary the consideration from HK$50 million to HK$60 million.

The Jumbo Chance Acquisition was completed on 5 June 2012 and the consideration was satisfied in cash and the issue of the Promissory Note (Details of the consideration transferred are disclosed in Note 32) to the consolidated financial statements.

39. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries at 31 December 2012 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	PRC	Paid up registered capital of HK$10,000,000	–	100%	Inactive
Victory Credit Services Limited *(Note a)*	Hong Kong	Ordinary shares of HK$10,000	67%	–	Inactive
Jumbo Chance *(Note b)*	British Virgin Islands	Ordinary shares of US$1	–	100%	Investment Holding
Sky Dragon *(Note b)*	Hong Kong	Ordinary shares of HK$10,000	–	100%	Trading and distribution of second hand left-hand-drive motor vehicles
Express Luck Limited *(Note b)*	Hong Kong	Ordinary shares of HK$10,000	–	100%	Trading and distribution of second hand left-hand-drive motor vehicles

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

Note:

(a) The company was incorporated on 10 October 2012 but not yet commenced business.

(b) On 5 June 2012, the Group completed the Jumbo Chance Acquisition as set out in the Note 32 to the consolidated financial statements.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**435**	6
Interests in subsidiaries	a	**29,622**	–
		30,057	6
CURRENT ASSETS			
Prepayments		**–**	1
Bank balances and cash		**22,905**	1
		22,905	2
CURRENT LIABILITIES			
Other payables and accruals		**694**	2,794
Amounts due to directors		**2,084**	1,712
Amounts due to subsidiaries	b	**7**	9,445
Bank overdrafts		**–**	113
Other loan		**–**	4,072
Promissory note payable – current portion		**14,604**	–
		17,389	8,691
NET CURRENT ASSETS (LIABILITIES)		**5,516**	(8,689)
TOTAL ASSETS LESS CURRENT LIABILITIES		**35,573**	(8,683)
NON-CURRENT LIABILITY			
Promissory note payable – non-current portion		**3,245**	–
NET ASSETS (LIABILITIES)		**32,328**	(18,128)
CAPITAL AND RESERVES			
Share capital		**859**	15,480
Reserves	c	**31,469**	(33,608)
TOTAL EQUITY		**32,328**	(18,128)

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) Interests in subsidiaries

	2012	2011
	HK$'000	*HK$'000*
Unlisted investment, at cost	**76,316**	76,310
Amounts due from subsidiaries	**163,577**	85,176
	239,893	161,486
Less: Provision for impairment	**(210,271)**	(161,486)
	29,622	–

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

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

(c) Reserves

	Share premium	**Contributed surplus**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000* *(Note i)*	*HK$'000*	*HK$'000*
At 1 January 2011	50,091	64,809	(144,201)	(29,301)
Loss for the year, representing total comprehensive expense for the year	–	–	(4,307)	(4,307)
At 31 December 2011	50,091	64,809	(148,508)	(33,608)
Loss for the year, representing total comprehensive expense for the year	–	–	(58,403)	(58,403)
Capital reduction *(Note 31(b))*	–	–	15,472	15,472
Issue of shares pursuant to an open offer *(Note 31(c))*	109,831	–	–	109,831
Transaction costs attributable to issue of shares	(1,823)	–	–	(1,823)
At 31 December 2012	158,099	64,809	(191,439)	31,469

Note:

(i) 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.

41. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, Sky Dragon entered into a service contract (the "Service Contract") between Mountain Purple, Ms. Leung and Mr. Leung Tsz Ho ("Mr. Leung") on 27 March 2013. Pursuant to the Service Contract, Ms. Leung and Mr. Leung agreed to act as a joint guarantor; and Mountain Purple will provide the consultancy service to Sky Dragon for a service period for 4 years starting from 1 April 2013. The consultancy service includes but not limited to 1) provision of general consultancy service; 2) provision of training; 3) provision of repair and maintenance of the vehicles; 4) keep the working environment neat and in order; 5) provide for not less than nine staffs for sale and purchase functions, two staffs for repair and maintenance and driver, one cleaner and one clerk. The monthly consultancy fee (the "Monthly Consultancy Fee") is HK$470,000.

On 27 March 2013, Sky Dragon entered into the Repayment Arrangement Agreement with Ms. Leung and Mountain Purple. Pursuant to the Repayment Arrangement Agreement, Mountain Purple agreed to act as a guarantor and Ms. Leung commits to repay the total outstanding balance due to Sky Dragon of approximately HK$24,500,000 by 48 monthly installments, starting from 5 May 2013. Each monthly installment will repay HK$502,000 and the last installment will repay approximately HK$850,000 as final settlement. In the meantime, as a guarantor, Mountain Purple undertakes to make use of the Monthly Consultancy Fee received by Sky Dragon to pay-off the monthly installment of Ms. Leung, and the remaining amount of HK$32,000 should be settled in cash by Ms. Leung.

Summary Financial Information

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**71,735**	–	–	–	17,600
Profit (loss) before tax	**38,784**	(6,330)	(6,492)	(4,017)	(3,371)
Income tax expense	**–**	–	–	–	–
Profit (loss) for the year	**38,784**	(6,330)	(6,492)	(4,017)	(3,371)
Net profit (loss) attributable to					
Owners of the Company	**38,791**	(6,330)	(6,492)	(4,017)	(3,371)
Non-controlling interest	**(7)**	–	–	–	–
	38,784	(6,330)	(6,492)	(4,017)	(3,371)

ASSETS AND LIABILITIES

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**46,567**	15,077	15,511	15,932	15,154
Current assets	**106,432**	456	458	977	17,328
Current liabilities	**(24,938)**	(38,363)	(32,469)	(26,917)	(38,473)
Net current assets (liabilities)	**81,494**	(37,907)	(32,011)	(25,940)	(21,145)
Total assets less current liabilities	**128,061**	(22,830)	(16,500)	(10,008)	(5,991)
Non-current liabilities	**(3,245)**	–	–	–	–
Net assets (liabilities)	**124,816**	(22,830)	(16,500)	(10,008)	(5,991)