

VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

(the “Company”)



INTERIM REPORT 2013

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Chun Choi

(Chairman and Managing Director)

Chan Kingsley Chiu Yin *(Deputy Chairman)*

(appointed on 15 August 2012)

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

Lin Huiwen

(appointed on 15 August 2012

and resigned on 7 June 2013)

Independent Non-executive Directors

Ip Ka Keung

Lam King Hang

Cheung Man Fu

AUDIT COMMITTEE

Ip Ka Keung *(Chairman)*

Lam King Hang

Cheung Man Fu

REMUNERATION COMMITTEE

Lam King Hang *(Chairman)*

Ip Ka Keung

Cheung Man Fu

NOMINATION COMMITTEE

Cheung Man Fu *(Chairman)*

Lam King Hang

Ip Ka Keung

COMPANY SECRETARY

Leung Wai Kei *CPA*

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

11th Floor, The Center

99 Queen's Road Central

Central

Hong Kong

AUDITORS

Lo and Kwong C.P.A. Company Limited

Suites 313-317

3/F Shui On Centre

6-8 Harbour Road

Wan Chai

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited

6 Front Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 28

Three Pacific Place

1 Queen's Road East

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 1609 New East Ocean Centre

9 Science Museum Road

Tsimshatsui East

Kowloon

Hong Kong

STOCK CODE

1139

FINANCIAL HIGHLIGHTS

Six months ended 30 June

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	Change %
Revenue	21,539	14,150	52.22
Net (loss) profit attributable to owners of the Company	(11,734)	15,671	(174.88)
(Loss) earnings per share	(1.37) cents	7.34 cents	

The board of directors (the "Board") of Victory Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013 (the "Period") together with the comparative figures.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF
VICTORY GROUP LIMITED

華多利集團有限公司

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Victory Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 06 to 30, which comprises the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 “Engagements to Review Financial Statements” issued by the Hong Kong Institute of Certified Public Accountants. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

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

OTHER MATTERS

Without qualifying our review conclusion, we draw attention to the facts that:

- (i) The consolidated statement of financial position as at 31 December 2012 and the relevant explanatory notes included in the consolidated financial statements for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2013.
- (ii) The condensed consolidated financial statements of the Group for the six-month period ended 30 June 2012 were reviewed by another auditor who expressed an unmodified conclusion on those statements on 30 August 2012.

ZHONGLEI (HK) CPA 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

29 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	4	21,539	14,150
Cost of sales		<u>(20,888)</u>	<u>(12,604)</u>
Gross profit		651	1,546
Other income	6	67	1,909
Gain on bargain purchase of subsidiaries	18	–	15,993
Gain on change in fair value of contingent consideration	13	1,711	–
Selling and distribution expenses		(5,481)	(35)
Administrative expenses		(4,953)	(2,676)
Loss arising on early settlement of promissory note	16	<u>(2,557)</u>	<u>–</u>
Operating (loss) profit		(10,562)	16,737
Finance costs	7	<u>(1,175)</u>	<u>(880)</u>
(Loss) profit before tax		(11,737)	15,857
Income tax expense	8	<u>–</u>	<u>(186)</u>
(Loss) profit for the period	9	<u>(11,737)</u>	<u>15,671</u>
(Loss) profit attributable to:			
Owners of the Company		(11,734)	15,671
Non-controlling interest		<u>(3)</u>	<u>–</u>
		<u>(11,737)</u>	<u>15,671</u>
(Loss) earnings per share	11		
Basic (HK Cents)		<u>(1.37)</u>	<u>7.34</u>
Diluted (HK Cents)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period, represented total comprehensive (expense) income for the period	<u>(11,737)</u>	<u>15,671</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(11,734)	15,671
Non-controlling interest	<u>(3)</u>	<u>–</u>
	<u>(11,737)</u>	<u>15,671</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

		At 30 June 2013 <i>HK\$'000</i> (Unaudited)	At 31 December 2012 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	12	2,049	2,147
Prepaid lease payments			
– non-current portion		12,758	12,948
Contingent consideration receivable			
– non-current portion	13	–	9,955
Prepayments – non-current portion		16,117	21,517
		<u>30,924</u>	<u>46,567</u>
CURRENT ASSETS			
Inventories		22,982	28,560
Trade receivables	14	–	263
Contingent consideration receivable			
– current portion	13	10,017	17,043
Prepayment, deposits and other receivables		34,395	35,453
Prepaid lease payments – current portion		381	381
Tax recoverable		1,681	57
Bank balances and cash		25,485	24,675
		<u>94,941</u>	<u>106,432</u>
CURRENT LIABILITIES			
Trade payables	15	1,150	1,990
Other payables and accruals		3,022	3,011
Deposit received		455	392
Amounts due to directors		5,270	4,941
Promissory note payable – current portion	16	2,889	14,604
		<u>12,786</u>	<u>24,938</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	At 30 June 2013	At 31 December 2012
<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NET CURRENT ASSETS	<u>82,155</u>	<u>81,494</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>113,079</u>	<u>128,061</u>
NON-CURRENT LIABILITY		
Promissory note payable – non-current portion	16 <u>–</u>	<u>3,245</u>
NET ASSETS	<u>113,079</u>	<u>124,816</u>
CAPITAL AND RESERVES		
Share capital	17 <u>859</u>	859
Reserves	<u>112,227</u>	<u>123,961</u>
Equity attributable to owners of the Company	<u>113,086</u>	124,820
Non-controlling interest	<u>(7)</u>	<u>(4)</u>
TOTAL EQUITY	<u>113,079</u>	<u>124,816</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note)	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2012 (Audited)	15,480	50,091	710	(89,111)	(22,830)	-	(22,830)
Profit for the period, representing total comprehensive income for the period	-	-	-	15,671	15,671	-	15,671
Capital reduction (Note 17(b))	(15,472)	-	-	15,472	-	-	-
Issue of shares pursuant to an open offer (Note 17(c))	851	109,831	-	-	110,682	-	110,682
Transaction costs attributable to issue of shares	-	(1,823)	-	-	(1,823)	-	(1,823)
At 30 June 2012 (Unaudited)	<u>859</u>	<u>158,099</u>	<u>710</u>	<u>(57,968)</u>	<u>101,700</u>	<u>-</u>	<u>101,700</u>
At 1 January 2013 (Audited)	859	158,099	710	(34,848)	124,820	(4)	124,816
Loss for the period, representing total comprehensive expense for the period	-	-	-	(11,734)	(11,734)	(3)	(11,737)
At 30 June 2013 (Unaudited)	<u>859</u>	<u>158,099</u>	<u>710</u>	<u>(46,582)</u>	<u>113,086</u>	<u>(7)</u>	<u>113,079</u>

Note:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	491	(17,416)
Net cash used in investing activities	(10)	(35,263)
Net cash from financing activities	<u>329</u>	<u>84,595</u>
Net increase in cash and cash equivalents	810	31,916
Cash and cash equivalents at 1 January	<u>24,675</u>	<u>(2,107)</u>
Cash and cash equivalents at 30 June	<u>25,485</u>	<u>29,809</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 had been suspended since 27 September 2006. On 11 June 2012, the Company had fulfilled the resumption conditions set out by the Stock Exchange, and 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 a company incorporated in Hong Kong.

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

2. Basis of preparation

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

3. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle

Except as described below, the application of the above new or revised HKFRSs and HKASs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

3. Significant accounting policies (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for 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 additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. However, the Group has no other comprehensive income, and hence the presentation of items of other comprehensive income has not been modified to reflect the changes.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

3. Significant accounting policies (Continued)

HKFRS 13 Fair Value Measurement (Continued)

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in Note 20.

4. Revenue

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Trading and distribution of second hand left-hand-drive motor vehicles	<u>21,539</u>	<u>14,150</u>

5. Segment information

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

During the six months ended 30 June 2013 and 30 June 2012, the Group has only one operating and reportable segment, represented the trading and distribution of second hand left-hand-drive motor vehicles. Since this is 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 both interim periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

6. Other income

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Waiver of interest on other loan	–	1,907
Interest income	65	2
Sundry income	2	–
	<hr/>	<hr/>
	67	1,909
	<hr/>	<hr/>

7. Finance costs

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

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest on:		
– Bills payable	–	8
– Bank overdraft	–	47
– Bank revolving loan	–	176
– Other borrowings	–	649
– Imputed interest on promissory note payable	1,175	–
	<hr/>	<hr/>
	1,175	880
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

8. Income tax expense

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong	–	186

No Hong Kong Profits Tax has been provided for the six months ended 30 June 2013 as the Group did not generate any assessable profit arising in Hong Kong.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2012.

9. (Loss) profit for the period

(Loss) profit for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration:		
– Audit services	50	300
– Other services	100	120
Cost of inventories recognised as an expense	20,888	12,604
Loss on disposal of property, plant and equipment	3	–
Minimum lease payments under operating lease in respect of rented premises	238	68
Amortisation of prepaid lease payments	190	190
Depreciation of property, plant and equipment	105	27
Staff costs (including directors' remuneration)	1,949	846

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

10. Dividends

No dividend was paid, declared or proposed during the interim period (six months ended 30 June 2012: Nil). The Directors have determined that no dividend will be paid in respect of the interim period.

11. (Loss) earnings per share

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the consolidated loss for the period attributable to owners of the Company of approximately HK\$11,734,000 (six months ended 30 June 2012: profit for the period HK\$15,671,000) and the weighted average number of ordinary shares of the Company in issue during the current interim period of approximately 859,146,000 (six months ended 30 June 2012: approximately 213,574,000 ordinary shares).

No diluted (loss) earnings per share have been presented as there was no dilutive potential ordinary share for the six months ended 30 June 2013 and 2012.

12. Property, plant and equipment

During the six months ended 30 June 2013, the Group acquired property, plant and equipment with an aggregate cost of approximately HK\$10,000 (six months ended 30 June 2012: Nil).

At 30 June 2013 and 31 December 2012, the Group has not pledged any of its property to secure general banking facilities and other borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

13. Contingent consideration receivable

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Analysed as:		
– Non-current portion	–	9,955
– Current portion	<u>10,017</u>	<u>17,043</u>
	<u>10,017</u>	<u>26,998</u>

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 Jumbo Chance Holdings Limited (“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 (the “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 16 to the condensed 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 Jumbo Chance and its subsidiaries (collectively referred to as 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”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

13. Contingent consideration receivable (Continued)

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").

The Shortfall Amount shall 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 years. 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 consolidated loss of approximately HK\$3,692,000 for the First Relevant Period and failure to meet the Target Sum, the Group is entitled for the Shortfall Amount of approximately HK\$18,692,000 for the First Relevant Period. Pursuant to the Agreement, the Group and the Vendor agreed to settle the Shortfall Amount by offsetting the Promissory Note for approximately HK\$18,692,000. Also, an amount of approximately HK\$1,711,000 has been recognised as gain on change in fair value of contingent consideration in the condensed consolidated statement of profit or loss for the six months ended 30 June 2013.

14. Trade receivables

	30 June 2013 <i>HK\$'000</i> (Unaudited)	31 December 2012 <i>HK\$'000</i> (Audited)
Trade receivables	—	263

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

14. Trade receivables (Continued)

The Group allows an average credit period of 30 days to its trade customers. The following is an analysis of trade receivables by age, presented based on the date of delivery of goods which approximated the revenue recognition dates:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
0-30 days	<u> -</u>	<u> 263</u>

At 30 June 2013 and 31 December 2012, 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 period/year. The Group does not hold any collateral over these balances.

15. Trade payables

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Trade payables	<u> 1,150</u>	<u> 1,990</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

15. Trade payables (Continued)

The following is an analysis of trade payables by age, presented based on the invoice date:

	30 June 2013 <i>HK\$'000</i> (Unaudited)	31 December 2012 <i>HK\$'000</i> (Audited)
0-30 days	1,050	570
31-60 days	–	–
61-90 days	–	1,320
Over 1 year	100	100
	<u>1,150</u>	<u>1,990</u>

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.

16. Promissory note payable

	30 June 2013 <i>HK\$'000</i> (Unaudited)	31 December 2012 <i>HK\$'000</i> (Audited)
At 1 January	17,849	–
Issue during the period/year at fair value	–	16,410
Imputed interest	1,175	1,439
Early settlement for contingent consideration	(16,135)	–
	<u>2,889</u>	<u>17,849</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

16. Promissory note payable (Continued)

	30 June 2013 <i>HK\$'000</i> (Unaudited)	31 December 2012 <i>HK\$'000</i> (Audited)
Analysed for reporting purpose as:		
– Non-current liability	–	3,245
– Current liability	<u>2,889</u>	<u>14,604</u>
	<u>2,889</u>	<u>17,849</u>

As disclosed in Notes 13 and 18 to the condensed consolidated financial statements, 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 13 to the condensed consolidated financial statements.)

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

As disclosed in Note 13, the Promissory Note of approximately HK\$18,692,000 was used to settle the Shortfall Amount for the First Relevant Period, and approximately HK\$2,557,000 of loss arising on early settlement of promissory note was recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

17. Share capital

	Par value per share HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 1 January 2012 (Audited)			
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 (Audited), 1 January 2013 (Audited) and 30 June 2013 (Unaudited)	0.001	152,055,864,000	152,056
Issued and fully paid:			
At 1 January 2012 (Audited)			
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 (Audited), 1 January 2013 (Audited) and 30 June 2013 (Unaudited)	0.001	859,146,438	859

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

17. 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 (the "Consolidated Share(s)"). The par value of each of the issued Consolidated Shares had been reduced from HK\$2.00 to HK\$0.001 each by cancelling the paid-up capital to the extent of HK\$1.999 per issued Consolidated Share (the "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.

18. Acquisition of subsidiaries

As stated in Note 13 to the condensed consolidated financial statements, the Jumbo Chance Acquisition was completed on 5 June 2012. The 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. The 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:

	<i>HK\$'000</i> (Unaudited)
Cash consideration	38,000
Promissory Note (Note 16)	22,000
	<hr/>
	60,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

18. Acquisition of subsidiaries (Continued)

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

18. Acquisition of subsidiaries (Continued)

Goodwill arising on acquisition (determined on a provisional basis)

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

Net cash outflow arising on acquisition

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

Included in the profit for the six months ended 30 June 2012 is approximately HK\$931,000 attributable to the additional business generated by the Jumbo Chance Group. Revenue for the six months ended 30 June 2012 includes approximately HK\$14,150,000 generated from the Jumbo Chance Group.

Had the acquisition been completed on 1 January 2012, total consolidated revenue for the six months ended 30 June 2012 would have been approximately HK\$115,252,000 and profit for the six months ended 30 June 2012 would have been HK\$8,904,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

19. Material related party transactions

(a) Balances with directors:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-trade balances due to directors	<u>5,270</u>	<u>4,941</u>

(b) Key management personnel compensation

The emolument personnel of the Group for the six months ended 30 June 2013 and 2012 was as follows:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Fees, salaries, allowance and benefits in kind	449	178
Contributions to retirement benefits scheme	<u>14</u>	<u>4</u>
	<u>463</u>	<u>182</u>

20. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

20. Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

- 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); and
- 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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2013	31 December 2012				
Contingent consideration receivable in the statement of financial position	Assets – HK\$10,017,000	Assets – HK\$26,998,000	Level 3	Discounted cash flow is estimated based on the estimated losses of the Jumbo Chance Group attributable to the Group, discounted using the yield rate of the emerging market corporate bonds	Operating losses taking into account management's experience and knowledge of market conditions of the auto-mobile industries	The higher the operating losses, the higher the fair value

During the six months ended 30 June 2013 and year ended 31 December 2012, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

As at 30 June 2013 and 31 December 2012, the Directors consider that the carrying amounts of financial assets and financial liabilities in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

20. Fair value measurements of financial instruments (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Contingent consideration receivable HK\$'000
At 1 January 2012	–
Fair value change	<u>26,998</u>
At 31 December 2012 (Audited) and 1 January 2013 (Audited)	26,998
Fair value change	1,711
Settlement by promissory note payable	<u>(18,692)</u>
At 30 June 2013 (Unaudited)	<u>10,017</u>

Of the total gains or losses for the period included in condensed consolidated statement of profit or loss, approximately HK\$1,711,000 relates to the contingent consideration receivable held at the end of the current reporting period.

Fair value measurements and valuation processes

The Directors determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

Interim results

The Group had been reorganised and completed the acquisition of subsidiaries on 5 June 2012. For the six months ended 30 June 2013, the Group had just gone through its tough interim period. The unaudited turnover in the Period was approximately HK\$21,539,000 had been increased of 52.22 per cent as compared to that for the six months ended 30 June 2012 (the "Last Period") (2012: HK\$14,150,000). The unaudited net loss attributable to owners of the Company for the Period was approximately HK\$11,734,000, as serious drop of almost 174.88 per cent as compared with that reported in the Last Period which is mainly attributable to gain on bargain purchase on acquisition of Jumbo Chance Holdings Limited in the Last Period.

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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 dated 11 July 2011 which was submitted to the Stock Exchange, subject to compliance with the conditions set out in the letter from the Stock Exchange dated 15 July 2011. Due to certain material changes to the Company's resumption plans, the Company submitted a resumption proposal dated 24 October 2011 to the Stock Exchange (the "Third Resumption Proposal"). On 28 October 2011, the Listing Committee had conditionally approved the Company's Third Resumption Proposal, subject to compliance with the conditions set out in the letter from the Stock Exchange dated 28 October 2011 for the resumption of trading in Shares, details of which were set out in the Company's announcement dated 31 October 2011 (the "Resumption Conditions") to the satisfaction of the Listing Division.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Company were investment holding and trading and distribution 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 and distribution of second hand left-hand-drive motor vehicles. The primary market of the core business is mainland China.

During the period, the unstable global economic environment and the slowdown of market growth in mainland China 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 implementation of limited license order in China cause the motor vehicle market worse.

Future outlook

At 5 June 2012, all the Resumption Conditions had 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 the implementation of 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 minimise operating costs.

Liquidity, financial resources and capital structure

During the six months ended 30 June 2013, the Group has no borrowings (year ended 31 December 2012: Nil).

The current ratio at the end of the Period was 7.43 (31 December 2012: 4.27). No gearing ratio, resulting from a comparison of the total borrowings with total equity of the Group at 30 June 2013 (31 December 2012: Nil) as there is no borrowing at 30 June 2013 (31 December 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2013, the Group had no trade receivables (31 December 2012: approximately HK\$263,000) and trade payables amounted to approximately HK\$1,150,000 (31 December 2012: HK\$1,990,000). There had inventories amounted to approximately HK\$22,982,000 as at 30 June 2013 (31 December 2012: HK\$28,560,000).

As at 30 June 2013, the Group's net current assets amounted to approximately HK\$82,155,000 (31 December 2012: HK\$81,494,000) and net assets amounted to approximately HK\$113,079,000 (31 December 2012: HK\$124,816,000). At the same day, the Group's bank balances and cash amounted to approximately HK\$25,485,000 (31 December 2012: HK\$24,675,000). There was no bank and other borrowings at 30 June 2013 (31 December 2012: Nil).

Significant investments

The Group did not hold any significant investment during the six months ended 30 June 2013.

Material acquisitions and disposals of subsidiaries and associated companies

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 Jumbo Chance Holdings Limited ("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 (the "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 16.)

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 Jumbo Chance and its subsidiaries (collectively referred to as 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").

MANAGEMENT DISCUSSION AND ANALYSIS

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").

The Shortfall Amount shall 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 years. 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 consolidated loss of approximately HK\$3,692,000 for the First Relevant Period and failure to meet the Target Sum, the Group is entitled for the Shortfall Amount of approximately HK\$18,692,000 for the First Relevant Period. Pursuant to the Agreement, the Group and the Vendor agreed to settle the Shortfall Amount by offsetting the Promissory Note for approximately HK\$18,692,000. Also, an amount of approximately HK\$1,711,000 has been recognised as gain on change in fair value of contingent consideration in the condensed consolidated statement of profit or loss for the six months ended 30 June 2013. (Details of the contingent consideration receivable is disclosed in Note 13)

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

Segment information

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has only one operating and reportable segment, represented the trading and distribution of second hand left-hand-drive motor vehicles. 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 six months ended 30 June 2013 (six months ended 30 June 2012: HK\$14,150,000).

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

Employees

As at 30 June 2013, the Group had a total of 8 (2012: 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\$1,949,000 (2012: HK\$846,000). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

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 Group did not operate any share option schemes for its Directors or employees.

Pledge on assets

As at 30 June 2013, the Group does not have any charges (31 December 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Future plans for material investments and expected sources of funding

The Group had no future plans for material investments as at the date of this report.

The management, however, will continue to closely observe the development and operating condition of the industry. It will seek investments in companies or projects that could bring synergy to the Group should the targets or opportunities arise. In addition, the management may also invest in new business projects in situations they consider in favour to the future of the Group. Given to the future business development, the management may fund new projects through fundraising or loans.

Capital commitments

At 30 June 2013, neither the Group nor the Company had any significant commitments outstanding.

Foreign currency exposure

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars (“HK\$”). The Group’s foreign currencies are mainly US dollars (“US\$”) 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 US\$ 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.

Contingent liabilities

At 30 June 2013, neither the Group nor the Company had any significant contingent liabilities.

DISCLOSURE OF ADDITIONAL INFORMATION

Audit committee

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial results for the six months ended 30 June 2013.

The interim financial reports have been reviewed by the Company's auditors, in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants.

Purchase, sale or redemption of the Company's listed securities

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the Period (2012: Nil).

Directors' and chief executives' interests in shares capital of the Company

As at 30 June 2013, the interests of the directors and chief executives of the Company in the shares, underlying shares and debentures 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 otherwise 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	Percentage of Shareholding
Chan Chun Choi (Note a, b)	330,350,152	38.45 per cent
Lo So Wa Lucy (Note b, c)	330,350,152	38.45 per cent
Chan Kingsley Chiu Yin (Note b)	202,575,000	23.58 per cent

DISCLOSURE OF ADDITIONAL INFORMATION

- (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 (98% of its shares held by Mr. Chan, 1% by his wife, Lo So Wa Lucy (formerly known as Lu Su Hua) and 1% by his son, Chan Kingsley Chiu Yin).
- (c) 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 and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders

As at 30 June 2013, so far as is known to the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than any Director or the chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests in the shares and underlying shares of the Company:

DISCLOSURE OF ADDITIONAL INFORMATION

Long Position

Name	Number of Shares held	Percentage of Shareholding
Winsley Investment Limited (<i>note</i>)	202,575,000	23.58 per cent
Lin Huiwen	198,000,000	23.05 per cent
Yuen Sau Ying Eva	84,832,000	9.87 per cent

Note:

Winsley Investment Limited is owned by the directors Mr. Chan Chun Choi, Ms. Lo So Wa Lucy (formerly known as Lu Su Hua) and Mr. Chan Kingsley Chiu Yin.

Save as disclosed herein, the Company has not been notified of any other person, other than a director or chief executive of the Company, who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2013.

Corporate governance

During the six months ended 30 June 2013, the Company had complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the deviation from the code provisions A.2.1 and A.4.2.

Code Provision A.2.1 stipulates 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 six months ended 30 June 2013, 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.

DISCLOSURE OF ADDITIONAL INFORMATION

Code Provision A.4.2 requires that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The clause 87(1) of the Company's bye-laws states that the chairman of the Board and/or the managing director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire. In the opinion of the Board, stability and continuation are key factors to the successful implementation of business plans. The Board believes that it is beneficial to the Group that there is continuity in the role of the chairman and the managing director and, therefore, the Board is of the view that the chairman and the managing director should be exempt from this arrangement at the present time.

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 noncompliance 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.

By Order of the Board

Chan Chun Choi

Chairman and Managing Director

Hong Kong, 29 August 2013