

# VICTORY GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1139)**

**(the “Company”)**



Interim Report  
**2014**

# CONTENTS

- 02 Corporate Information
- 03 Financial Highlights
- 04 Report on Review of Condensed Consolidated Financial Statements
- 06 Condensed Consolidated Statement of Profit or Loss
- 07 Condensed Consolidated Statement of Profit or Loss and  
Other Comprehensive Income
- 08 Condensed Consolidated Statement of Financial Position
- 10 Condensed Consolidated Statement of Changes in Equity
- 11 Condensed Consolidated Statement of Cash Flows
- 12 Notes to the Condensed Consolidated Financial Statements
- 29 Management Discussion and Analysis
- 33 Disclosure of Additional Information

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Chan Chun Choi

*(Chairman and Managing Director)*

Chan Kingsley Chiu Yin *(Deputy Chairman)*

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, CPA (Aust)*

## PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

11th Floor, The Center

99 Queen's Road Central

Central

Hong Kong

## AUDITORS

ZHONGLEI (HK) CPA Company Limited

Suites 313-316, 3/F, Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

## REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

## PRINCIPAL PLACE OF BUSINESS

Suite 1609 New East Ocean Centre

9 Science Museum Road

Tsimshatsui East

Kowloon

Hong Kong

## STOCK CODE

1139

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2014	2013	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	<b>16,571</b>	21,539	(23.07)
Net loss attributable to owners of the Company	<b>(10,498)</b>	(11,734)	10.53
Loss per share	<b>(1.22) cents</b>	(1.37) 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 2014 (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 6 to 28, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## SCOPE OF REVIEW

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

## CONCLUSION

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

**ZHONGLEI (HK) CPA Company Limited**  
*Certified Public Accountants (Practising)*

**Lam Chik Tong**

Practising Certificate Number: P05612

Suites 313-316, 3/F  
Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong

28 August 2014

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>16,571</b>	21,539
Interest income		93	–
Others		16,478	21,539
Cost of sales		<u>(15,968)</u>	<u>(20,888)</u>
<b>Gross profit</b>		<b>603</b>	651
Other income	6	183	67
Gain on change in fair value of contingent consideration	13	570	1,711
Selling and distribution expenses		(5,408)	(5,481)
Administrative expenses		(6,545)	(4,953)
Loss arising on early settlement of promissory note		–	(2,557)
<b>Operating loss</b>		<b>(10,597)</b>	(10,562)
Finance costs	7	<u>(181)</u>	<u>(1,175)</u>
<b>Loss before tax</b>		<b>(10,778)</b>	(11,737)
Income tax credit	8	<u>10</u>	<u>–</u>
<b>Loss for the period</b>	9	<b><u>(10,768)</u></b>	<b><u>(11,737)</u></b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(10,498)	(11,734)
Non-controlling interests		<u>(270)</u>	<u>(3)</u>
		<b><u>(10,768)</u></b>	<b><u>(11,737)</u></b>
<b>Loss per share</b>	11		
Basic (HK cents)		<u>(1.22)</u>	<u>(1.37)</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 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period, representing total comprehensive expense for the period	<u>(10,768)</u>	<u>(11,737)</u>
<b>Total comprehensive expense for the period attributable to:</b>		
Owners of the Company	(10,498)	(11,734)
Non-controlling interests	<u>(270)</u>	<u>(3)</u>
	<u>(10,768)</u>	<u>(11,737)</u>



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		At 30 June 2014 <i>HK\$'000</i> (Unaudited)	At 31 December 2013 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	3,456	1,947
Prepaid lease payments			
– non-current portion		12,377	12,567
Prepayments – non-current portion		5,317	10,717
		<u>21,150</u>	<u>25,231</u>
<b>CURRENT ASSETS</b>			
Inventories		23,255	28,371
Trade receivables	14	200	–
Loan receivables	15	6,610	–
Contingent consideration receivable	13	–	10,468
Prepayment, deposits and other receivables		35,063	33,019
Prepaid lease payments – current portion		381	381
Tax recoverable		117	1,681
Bank balances and cash		13,532	13,383
		<u>79,158</u>	<u>87,303</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	16	300	100
Other payables and accruals		5,214	4,003
Deposit received		1,005	505
Amounts due to directors		4,619	5,131
Amount due to a minority shareholder		4,889	4,889
Promissory note payable	17	–	2,857
		<u>16,027</u>	<u>17,485</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		At 30 June 2014 <i>HK\$'000</i> (Unaudited)	At 31 December 2013 <i>HK\$'000</i> (Audited)
<b>NET CURRENT ASSETS</b>		<u>63,131</u>	<u>69,818</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>84,281</u>	<u>95,049</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	859	859
Reserves		<u>83,667</u>	<u>94,165</u>
Equity attributable to owners of the Company		<u>84,526</u>	95,024
Non-controlling interests		<u>(245)</u>	<u>25</u>
<b>TOTAL EQUITY</b>		<u>84,281</u>	<u>95,049</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company					Non-	Total
	Share capital	Share premium	Contributed surplus	Accumulated losses	Sub-total	controlling interests	
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
<b>At 30 June 2013 (Unaudited)</b>	<b>859</b>	<b>158,099</b>	<b>710</b>	<b>(46,582)</b>	<b>113,086</b>	<b>(7)</b>	<b>113,079</b>
At 1 January 2014 (Audited)	859	158,099	710	(64,644)	95,024	25	95,049
Loss for the period, representing total comprehensive expense for the period	-	-	-	(10,498)	(10,498)	(270)	(10,768)
<b>At 30 June 2014 (Unaudited)</b>	<b>859</b>	<b>158,099</b>	<b>710</b>	<b>(75,142)</b>	<b>84,526</b>	<b>(245)</b>	<b>84,281</b>

**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 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	<u>2,501</u>	<u>491</u>
Net cash used in investing activities:		
Proceeds from disposal of property, plant and equipment	1	–
Purchase of property, plant and equipment	<u>(1,841)</u>	<u>(10)</u>
	<u>(1,840)</u>	<u>(10)</u>
Net cash (used in) from financing activities:		
(Decrease) increase in amounts due to directors	<u>(512)</u>	<u>329</u>
Net increase in cash and cash equivalents	149	810
Cash and cash equivalents at 1 January	<u>13,383</u>	<u>24,675</u>
Cash and cash equivalents at 30 June, represented by bank balances and cash	<u>13,532</u>	<u>25,485</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 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 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 which is incorporated in Hong Kong.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the “Group”).

During the six months ended 30 June 2014, the Group was principally engaged in the investment holding, trading of motor vehicles and money lending business.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certificate Public Accountants (“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 2014

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which 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 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to 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:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC*) – Interpretation 21	Levies

\* IFRIC represents International Financial Reporting Interpretations Committee

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 4. REVENUE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Trading of motor vehicles	16,478	21,539
Interest income from loan financing	93	–
	<u>16,571</u>	<u>21,539</u>

## 5. SEGMENT INFORMATION

Information reported to the board of directors of the Company (the "Board"), being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Trading of motor vehicles – Trading and distribution of motor vehicles
- Money lending – Business of money lending and provision of credits

Money lending business is a new reportable and operating segment of the Group for the six months ended 30 June 2014.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 5. SEGMENT INFORMATION (Continued)

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2014 (Unaudited)

	Trading of motor vehicles <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>16,478</u>	<u>93</u>	<u>16,571</u>
Segment results	<u>(9,606)</u>	<u>42</u>	<u>(9,564)</u>
Unallocated other income			44
Unallocated corporate expenses			(1,647)
Gain on change in fair value of contingent consideration			570
Finance costs			<u>(181)</u>
Loss before tax			<u>(10,778)</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 5. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

#### At 30 June 2014 (Unaudited)

	Trading of motor vehicles <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	60,355	11,213	71,568
Unallocated corporate assets			28,740
Total assets			100,308
Segment liabilities	(8,648)	–	(8,648)
Unallocated corporate liabilities			(7,379)
Total liabilities			(16,027)

#### For the six months ended 30 June 2013 (Unaudited)

During the six months ended 30 June 2013, the Group has only one operating and reportable segment, represented the trading and distribution of motor vehicles and all the revenue of the Group are generated from trading and distribution of motor vehicles. As such, no further analysis is presented.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 6. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	43	65
Gain on disposal of property, plant and equipment	1	–
Sundry income	139	2
	<u>183</u>	<u>67</u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
– Imputed interest on promissory note payable	181	1,175
	<u>181</u>	<u>1,175</u>

## 8. INCOME TAX CREDIT

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Over provision in prior year:		
Hong Kong	10	–
	<u>10</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2014 and 30 June 2013 as the Group had no assessable profit arising in Hong Kong.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 9. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration:		
– Audit services	50	50
– Other services	110	100
Cost of inventories recognised as an expense	15,898	20,888
Loss on disposal of property, plant and equipment	–	3
Minimum lease payments under operating lease in respect of rented premises	364	238
Amortisation of prepaid lease payments	190	190
Depreciation of property, plant and equipment	332	105
Staff costs (including Directors' remuneration)	1,082	1,949

## 10. DIVIDENDS

No dividend was paid, declared or proposed during the interim period, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2013: Nil).

## 11. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$10,498,000 (six months ended 30 June 2013: HK\$11,734,000) and the weighted average ordinary shares of the Company in issue during the six months ended 30 June 2014 of approximately 859,146,000 (six months ended 30 June 2013: 859,146,000).

No diluted loss per share have been presented as there was no dilutive potential ordinary share for the six months ended 30 June 2014 and 30 June 2013.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired certain property, plant and equipment of approximately HK\$1,841,000 (six months ended 30 June 2013: HK\$10,000).

During the six months ended 30 June 2014, the Group disposed of certain property, plant and equipment with zero carrying amount for cash proceeds of approximately HK\$1,000, resulting in a gain on disposal of approximately HK\$1,000 (six months ended 30 June 2013: loss on disposal of HK\$3,000).

## 13. CONTINGENT CONSIDERATION RECEIVABLE

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Contingent consideration receivable	—	10,468

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 17 to the condensed consolidated financial statements).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 13. CONTINGENT CONSIDERATION RECEIVABLE (Continued)

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 consolidated financial statements 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 audited consolidated financial statements 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 financial statements 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.

For the First Relevant Period, the Jumbo Chance Group has incurred a consolidated loss of approximately HK\$3,962,000 and failed to meet the Target Sum, the Group is entitled for the Shortfall Amount of approximately HK\$18,962,000 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\$18,962,000 (Note 17).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 13. CONTINGENT CONSIDERATION RECEIVABLE (Continued)

For the Second Relevant Period, the Jumbo Chance Group has also incurred a consolidated loss and failed to meet the Target Sum, the Group is entitled for the Shortfall Amount of approximately HK\$11,038,000 for the Second 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\$3,038,000 (Note 17) and the remaining balance of the Shortfall Amount of approximately HK\$8,000,000 was reclassified as other receivables as at 30 June 2014. Also, an amount of approximately HK\$570,000 (six months ended 30 June 2013: 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 2014.

## 14. TRADE RECEIVABLES

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables	<u>200</u>	<u>–</u>

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 date, at the end of the reporting period:

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0-30 days	<u>200</u>	<u>–</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 15. LOAN RECEIVABLES

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Fixed-rate loan receivables	<u>6,610</u>	<u>–</u>

The term of loans entered with customers ranges within one year. All loan receivables were denominated in HK\$. The loan receivables carried fixed interest rate ranging from 18% to 30% per annum (31 December 2013: Nil). An aged analysis of the loan receivables at the end of the reporting period, based on the loan agreements commencement date, is as follows:

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0-30 days	5,570	–
31-90 days	<u>1,040</u>	<u>–</u>
	<u>6,610</u>	<u>–</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 16. TRADE PAYABLES

	As at	
	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
Trade payables	<u>300</u>	<u>100</u>

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

	As at	
	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
0-30 days	200	–
Over 1 year	<u>100</u>	<u>100</u>
	<u>300</u>	<u>100</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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 17. PROMISSORY NOTE PAYABLE

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
At 1 January	2,857	17,849
Imputed interest	181	3,970
Offset with contingent consideration receivable (Notes 13 and 21)	<u>(3,038)</u>	<u>(18,962)</u>
At 30 June/31 December	<u>–</u>	<u>2,857</u>

As disclosed in Note 13 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 not connected with the Group, the fair value of the Promissory Note is determined to be approximately HK\$16,410,000 at the issuance date.

As disclosed in Notes 13 and 21 to the condensed consolidated financial statements, the Promissory Note of approximately HK\$18,962,000 and HK\$3,038,000 were used to settle the Shortfall Amount for the First Relevant Period and the Second Relevant Period, respectively.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 18. SHARE CAPITAL

	Par value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
<b>Authorised:</b>			
At 1 January 2013 (Audited), 31 December 2013 (Audited), 1 January 2014 (Audited) and <b>30 June 2014 (Unaudited)</b>	<u>0.001</u>	<u>152,055,864,000</u>	<u>152,056</u>
<b>Issued and fully paid:</b>			
At 1 January 2013 (Audited), 31 December 2013 (Audited), 1 January 2014 (Audited) and <b>30 June 2014 (Unaudited)</b>	<u>0.001</u>	<u>859,146,438</u>	<u>859</u>

## 19. RELATED PARTY DISCLOSURE

### (a) Balances with directors:

	As at	
	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
Non-trade balances due to directors	<u>4,619</u>	<u>5,131</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 19. RELATED PARTY DISCLOSURE (Continued)

### (b) Key management personnel compensation

The remuneration of the key management personnel of the Group for the six months ended 30 June 2014 and 30 June 2013 was as follows:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Fees, allowances and benefits in kind	449	449
Contributions to retirement benefits scheme	14	14
	<u>463</u>	<u>463</u>

## 20. OPERATING LEASES

### The Group as a lessee

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

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within one year	<u>536</u>	<u>384</u>

The Group leases premises under operating leases. The leases run for an initial period of 2 to 2.5 years (31 December 2013: 2.5 years). The leases do not include contingent rental.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets 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 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.

- 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).

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2014	31 December 2013		
Financial assets				
Contingent consideration receivable in the condensed consolidated statement of financial position	Assets – HK\$ Nil	Assets – HK\$10,468,000	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

There were no transfers between Level 1, 2 and 3 in the current period and prior year.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

### Reconciliation of Level 3 fair value measurements of financial assets

	<b>Contingent consideration receivable</b> <i>HK\$'000</i>
At 1 January 2013 (Audited)	26,998
Fair value change	2,432
Offset with promissory note payable (Note 17)	<u>(18,962)</u>
At 31 December 2013 (Audited)	10,468
Fair value change	570
Offset with promissory note payable (Note 17)	(3,038)
Transfer to other receivables	<u>(8,000)</u>
<b>At 30 June 2014 (Unaudited)</b>	<u>–</u>

Of the total gains or losses for the period included in profit or loss, approximately HK\$570,000 relates to the contingent consideration receivable is recognised as gain on change in fair value of contingent consideration.

### Fair value measurements and valuation processes

The Directors determined 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. The Directors report to the Board regularly to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of contingent consideration receivables are disclosed above.

## Interim results

The unaudited turnover in the Period was approximately HK\$16,571,000, representing a decrease of 23.07 per cent as compared to that for the six months ended 30 June 2013 (the "Last Period") (2013: HK\$21,539,000). The unaudited net loss attributable to owners of the Company for the Period was approximately HK\$10,498,000, an improvement of 10.53 per cent as compared with that reported for the Last Period.

## Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## Business review

The principal activities of the Company were investment holding, trading of motor vehicles and money lending. The core business of the Company during the Period 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 have led to drop on selling prices of new cars and affected the demand for second-hand cars. On the other hand, advanced car brands in China have started to operate second-hand car sales business in mainland and the implementation of limited license orders in China cause the motor vehicle market to get worse.

## Future outlook

The slow recovery of the global economic environment and the moderated market conditions in the mainland China, decrease in demand for second-hand cars, increase in competitors and limited license order in mainland China may continue to affect the left-hand-drive motor vehicles business of the Company in the coming year.

The Group has incorporated subsidiary with independent third parties for trading of right-hand-drive motor vehicles in Hong Kong to expand its business. In addition, the Group has commenced the money lending business during the Period which will widen the revenue.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 2014, the Group has no borrowings (the year ended 31 December 2013: Nil).

As at 30 June 2014, neither the Group nor the Company had any significant commitments outstanding.

The current ratio at the end of the Period was 4.94 (31 December 2013: 4.99). No gearing ratio, resulting from a comparison of the total borrowings with total equity of the Group at 30 June 2014 (31 December 2013: Nil) as there is no borrowing at 30 June 2014 (31 December 2013: Nil).

As at 30 June 2014, the Group had trade receivables amounted to approximately HK\$200,000 (31 December 2013: Nil), loan receivables amounted to approximately HK\$6,610,000 (31 December 2013: Nil) and trade payables amounted to approximately HK\$300,000 (31 December 2013: HK\$100,000). There had inventories amounted to approximately HK\$23,255,000 as at 30 June 2014 (31 December 2013: HK\$28,371,000).

As at 30 June 2014, the Group's net current assets amounted to approximately HK\$63,131,000 (31 December 2013: HK\$69,818,000) and net assets amounted to approximately HK\$84,281,000 (31 December 2013: HK\$95,049,000). At the same day, the Group's bank balances and cash amounted to approximately HK\$13,532,000 (31 December 2013: HK\$13,383,000). There was no bank and other borrowings at 30 June 2014 (31 December 2013: Nil).

## Significant investments

The Group did not hold any significant investment during the six months ended 30 June 2014.

## Material acquisitions and disposals of subsidiaries and associated companies

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.

For the six months ended 30 June 2014, the Group's revenue were primarily from two business. The segment results of trading of motor vehicles segment recorded losses of approximately HK\$9,606,000 and the segment profit of money lending segment was approximately HK\$42,000. Details of segmental information are set out in Note 5 to the condensed consolidated financial statements.

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

## Employees

As at 30 June 2014, the Group had a total of 10 (30 June 2013: 8) 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\$1,082,000 (six months ended 30 June 2013: HK\$1,949,000). 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 has adopted a share option scheme, which was duly approved by the shareholders at the Annual General Meeting of the Company on 26 May 2014, available for participants including any director and employee of the Company or of any subsidiaries. No options have been granted since the approval of the scheme.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Charges on assets

As at 30 June 2014, the Group does not have any charges (31 December 2013: Nil).

## 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.

## Foreign currency exposure

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars (“HK\$”) and Great British Pound (“GBP”). The Group’s foreign currencies are mainly GBP 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 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 2014, neither the Group nor the Company had any significant contingent liabilities.

## 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 2014.

The interim financial reports have been reviewed by the Company's auditors, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## 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 (2013: Nil).

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

As at 30 June 2014, 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 2014, 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 2014.

## Corporate governance

During the six months ended 30 June 2014, 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 2014, 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, 28 August 2014