ANNUAL REPORT 2014

VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

Contents

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)
Lin Huiwen (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, 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
Wan Chai
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

EXECUTIVE DIRECTORS

Mr. Chan Chun Choi, aged 69, is the chairman and managing director of Victory Group Limited (the "Company"). Mr. Chan has been appointed as an executive director since 1988. Mr. Chan, together with his ex-wife, Madam Lam Mo Kuen, Anna, founded the Company in mid-1980s. Mr. Chan has extensive experience in the distribution and marketing of automotive products, principally in the PRC. Mr. Chan is responsible for the strategic planning and business development of the Group. Mr. Chan had been a member of the Consultative Conference of Guangdong Province, a committee member of the China Council for the Promotion of Peaceful National Reunification, an honorary citizen of Jiangmen and Enping, the PRC, and the honorary chairman of the Federation of Hong Kong Guangdong Community Organization Limited. He is also the executive director and major shareholder of Wazi Led Lighting Limited, a Hong Kong company primarily engaged in the LED lighting trading business since 2010. Mr. Chan did not act as a director in any other listed public company in the last three years. Mr. Chan is the spouse of Ms. Lo So Wa Lucy (formerly known as Ms. Lu Su Hua) and the father of Mr. Chan Kingsley Chiu Yin, both of them are executive director of the Company.

Mr. Chan Kingsley Chiu Yin, aged 28, graduated at California State University, with Bachelor of Business Administration, major in Finance. Mr. Kingsley Chan, has engaged in asset management experience in United States of America up to 5 years, and joined our group as General Manager in 2009. Mr. Kingsley Chan was appointed an executive director of the Company on 15 August 2012. Mr. Kingsley Chan has been the director of various companies and has invested in various industries like Financial Services, Property Holdings, General Trading, and LED Business, etc. Mr. Kingsley Chan did not hold any directorships in other listed public company in the last three years. Mr. Kingsley Chan is the son of Mr. Chan Chun Choi who is chairman and managing director of the Company and ex-director Ms. Lam Mo Kuen Anna.

Ms. Lo So Wa Lucy (formerly known as Ms. Lu Su Hua), aged 45, graduated from the Beijing Foreign Studies University in 1999, and Ms. Lo obtained her Master of Business Administration (MBA) degree from the University of Ballarat in Australia in 2003. She joined a company primarily engaged in LED business, as a deputy general manager for three years. Ms. Lo was appointed an executive director of the Company on 6 October 2003. Ms. Lo is the spouse of Mr. Chan Chun Choi, an executive director. Ms. Lo did not act as a director in any other listed public company in the last three years.

Profiles of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Ka Keung, aged 46, has been working in the fund industry for a number of years. Having qualified with a big four accountancy firm in London in the nineties, he worked for their Hong Kong office specializing in audit, due diligence and initial public offering work for listed, multi-national and clients from China. Mr. Ip joined the legal division of a major Hong Kong Blue Chip company and managed their Regulatory Affairs function thereafter. Mr. Ip was also the Chief Financial Officer and the Head of Compliance of a Securities and Future Commission licensed Hong Kong asset management company as well as an associate director of a transaction services department of an international accountancy firm. Mr. Ip holds an honors bachelor degree in Accounting and Finance and a Bachelor of Law (LLB) honors degree from the London University. Mr. Ip is a Certified Public Accountant, a Fellow member of Chartered Certified Accountant and a member of Hong Kong and U.S. Society of Financial Analyst. He is also currently a member of the Hong Kong Institute of Directors. Mr. Ip was appointed an independent non-executive director of the Company on 18 January 2010. Mr. Ip did not act as a director in any other listed public company on The Stock Exchange of Hong Kong Limited in the last three years. He also does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Dr. Lam King Hang, aged 44, received his bachelor degree in Electrical Energy Systems Engineering from the University of Hong Kong in 1994. He worked in the Building Services industry after graduation and returned to the Alma Mater for joining the HKU Photovoltaic research team in 1998. His research focus is on Photovoltaic applications in Hong Kong. He was involved in a number of research projects concerning LED applications when he was employed by the University of Hong Kong from 1998 to 2007. In 2007, he received his PhD in Architecture at The University of Hong Kong and was appointed as Honorary Lecturer for teaching a Master of Science course at the University of Hong Kong in 2009. Dr. Lam is now a Lecturer of Department of Electrical and Electronic Engineering at the University of Hong Kong. Dr. Lam was appointed an independent non-executive director of the Company on 1 June 2010. Dr. Lam did not act as a director in any other listed public company in the last three years. He also does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Cheung Man Fu, aged 42, graduated from the Wu Yi University, Jiangmen, PRC with a Bachelor of Science degree in Electronics Engineering. He is currently engaged in, inter alia, auto mechanics and LED businesses for over 17 years. Mr. Cheung was appointed an independent non-executive director of the Company on 1 August 2011. Mr. Cheung did not act as a director in any other listed public company in the last three years. He also does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Dear Shareholders,

I hereby present the annual report for the year ended 31 December 2014 of Victory Group Limited and its subsidiaries (collectively referred to as the "Group") on behalf of the Board of Directors (the "Board").

FINANCIAL REVIEW HIGHLIGHT

For the year ended 31 December 2014, the Group recorded a revenue of approximately HK$30,216,000 for the year (2013: HK$29,963,000). Net loss attributable to shareholders of the Company for the year was approximately HK$21,967,000 (2013: HK$29,796,000).

The Board did not recommend to pay any dividend for the year ended 31 December 2014 (2013: Nil).

BUSINESS REVIEW

The principal activities of the Group during the year under review were investment holding, trading of motor vehicles and money lending. 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. The new developed business during the year was money lending business which widen revenue of the Group.

During the year, 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. The company strengthens the brand awareness and promotes the development of automotive business in the PRC through cooperation with several vehicle distributors in mainland. Even if the economic growth in PRC likely slowdown, the Company will take the positive and prudent management strategies to face the challenge.

Same as previous financial years, the Company will continue to exercise stringent cost control under limited funding situation. Furthermore, the Board will use its best endeavors to look for new business and investment opportunities with an aim to broadening the Group's revenue stream.

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

Chairman's Statement

APPRECIATION

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

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

Hong Kong, 18 March 2015

RESULTS

The Group had revenue of approximately HK$30,216,000 for the year ended 31 December 2014. Net loss attributable to owners of the Company for the year was approximately HK$21,967,000.

BUSINESS REVIEW

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During the year, 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. The company strengthens the brand awareness and promotes the development of automotive business in the PRC through cooperation with several vehicle distributors in mainland. Even if the economic growth in PRC likely slowdown, the Company will take the positive and prudent management strategies to face the challenge.

Comparing to last financial year, the audited net loss for 2014 was slightly improved but still primarily caused by the weakness of business environment. It including increase of approximately HK$395,000, and HK$115,000 in gross profit and other income respectively, and decrease of approximately HK$79,000, HK$4,801,000, HK$1,862,000 and HK$3,789,000 in, selling and distribution expenses, administrative expenses, fair value change on contingent consideration and finance costs respectively.

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The current ratio of the Group at the end of 2014 was 3.99 (2013: 4.99). The gearing ratio, resulting from a comparison of the total borrowings with total equity of the Group at 31 December 2014 was 0.08 (2013: Nil). Details of the Group's exposure to credit risk, liquidity risk, currency risk, interest rate risk and any related hedges are stated in note 6 to the consolidated financial statements.

At as 31 December 2014, the Group had loan and interest receivables amounted to approximately HK$8,581,000 (2013: Nil), no trade receivables (2013: Nil) and trade payables amounted to approximately HK$100,000 (2013: HK$100,000). There had inventories amounted to approximately HK$15,044,000 as at 31 December 2014 (2013: HK$28,371,000).

As at 31 December 2014, the Group's net current assets amounted to approximately HK$51,692,000 (2013: HK$69,818,000) and net assets amounted to approximately HK$72,502,000 (2013: HK$95,049,000). At the same day, the Group's bank balances and cash amounted to approximately HK$18,917,000 (2013: HK$13,383,000). The bank borrowing at 31 December 2014 was HK$6,000,000 (2013: Nil).

CHARGES ON ASSETS

As at 31 December 2014, the Group had pledged building and prepaid lease payments with an aggregate carrying amount of approximately HK$14,163,000 (2013: Nil) to secure banking facilities and other borrowings granted to the Group.

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment during the year ended 31 December 2014.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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 year ended 31 December 2014.

Geographical information

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

Details of segment information are set out in note 8 to the financial statements.

HUMAN RESOURCES

As at 31 December 2014, the Group had a total of 9 (2013:9) 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 year amounted to approximately HK$2,267,000 (2013: HK$2,930,000). 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.

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars ("HKD"). The Group's foreign currencies are mainly Great British Pound ("GBP"), US dollars ("USD") and Japanese Yen ("JPY"). Foreign currency risk arises from financial assets and transactions which were denominated in currencies other than the functional currencies of the Group entities. The Group has bank balances and cash denominated in USD and JPY. The Group currently does not have foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

At 31 December 2014, neither the Group nor the Company had any significant contingent liabilities.

CAPITAL COMMITMENT

At 31 December 2014, neither the Group nor the Company had any significant capital commitment outstanding.

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 commenced right hand-drive motor vehicles business and the money lending business during the year which will widen the revenue.

The Directors will use its best endeavors to look for new business and investment opportunities with an aim to broaden the Group's revenue stream. The Company will also keep on exercising stringent cost control, quality assurance, and expense control to minimize operating costs.

Report of the Directors

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year under review were investment holding, trading of motor vehicles and money lending. During the year, the Group had revenue of approximately HK$30,216,000.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 97.

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

SEGMENT INFORMATION

Details of segment information are set out in note 8 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for approximately 41.65% of the sales and the largest customer accounted for approximately 18.64% of sales for the year under review.

The Group's five largest suppliers accounted for approximately 58.83% of the purchases and the largest supplier accounted for approximately 20.36% of purchases for the year under review.

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

SUMMARY FINANCIAL INFORMATION

The results, assets and liabilities of the Group for the last five financial years are summarised on page 98. This summary is not part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND LAND LEASE PREPAYMENT

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 35 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 28 to the financial statements.

RETIREMENT SCHEME

The Group has implemented a provident fund scheme for its staff in compliance with requirements of the Mandatory Provident Fund ("MPF") Schemes Ordinance from 1 December 2000. The Company contributed according to the minimum requirements of the MPF Ordinance (that is, 5 per cent of staffs' relevant income with maximum limit of HK$1,250 and HK$1,500 from 1 June 2014) and the contributions are charged to the income statement.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the Company's share capital, warrants and share options during the year and subsequent to the balance sheet date, together with the reasons for the issue thereof, are set out in notes 30 to 31 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

RESERVES

(a) The Group

	Share premium HK'000	Contributed surplus HK'000	Accumulated losses HK'000	Sub-total HK'000	Non-controlling interests HK'000	Total HK'000
At 1 January 2013	158,099	710	(34,848)	123,961	(4)	123,957
Loss for the year, representing total comprehensive expenses for the year	–	–	(29,796)	(29,796)	(16)	(29,812)
Capital injection by non-controlling interests	–	–	–	–	45	45
At 31 December 2013	158,099	710	(64,644)	94,165	25	94,190
Loss for the year, representing total comprehensive expenses for the year	–	–	(21,967)	(21,967)	(580)	(22,547)
At 31 December 2014	**158,099**	**710**	**(86,611)**	**72,198**	**(555)**	**71,643**

(b) The Company

The amounts of the Company's reserves and the movements therein for the current and prior year are presented in the note 36(b) to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company had no reserves available for cash distribution and distribution in specie computed in accordance with the Companies Act 1981 of Bermuda except for the Company's share premium account which may be distributed in the form of fully paid bonus shares. Under the Companies Act 1981 of Bermuda, the Company may make distributions from its contributed surplus in certain circumstances, prescribed by Section 54 thereof, which the Company was unable to satisfy as at 31 December 2014.

CONTINGENT LIABILITIES

At 31 December 2014, neither the Group nor the Company had any significant contingent liabilities.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investment during the year ended 31 December 2014.

RELATED PARTY TRANSACTIONS

Except for the disclosure in the note 33 to financial statements, there were no related party transactions in the year under review.

EMPLOYEES

As at 31 December 2014, the Group had a total of 9 employees (2013: 9 employees), of whom all were based in Hong Kong. The remuneration package for Hong Kong staff was strictly on a monthly-salary basis. Year-end bonus was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs including directors' remuneration, for the year amounted to approximately HK$2,267,000 (2013: HK$2,930,000). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

The Group did not operate any pension or retirement schemes for its Directors or employees until the implementation of MPF in December 2000.

The Group has 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.

CHARGES OF ASSETS

As at 31 December 2014, the Group had pledged building and prepaid lease payments with an aggregate carrying amount of approximately HK$14,163,000 (2013: Nil) to secure banking facilities and other borrowings granted to the Group.

PROPERTY VALUATION

A property valuation had been carried out by Roma Appraisals Limited, an independent professional valuer, in respect of the Group's land lease prepayment and building. The Group's land lease prepayment and building were valued at HK$26,510,000 and HK$2,690,000 respectively (2013: HK$26,000,000 and HK$2,800,000 respectively) giving no impairment loss on land lease prepayment and building.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

Report of the Directors

DIRECTORS

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

Executive Directors:

Chan Chun Choi *(Chairman and Managing Director)*
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

In accordance with clauses 87(1) of the Company's bye-laws, Ms. Lo So Wa Lucy (formerly known as Lu Su Hua) and Mr. Cheung Man Fu, shall retire from their offices and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

DIRECTORS BIOGRAPHIES

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

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of the Directors and the five highest paid individuals in the Group are set out in notes 13 and 14 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Except for the related party transactions as disclosed in the note 33 to the financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

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

MANAGEMENT CONTRACTS

Except for those as disclosed in note 33 to the financial statements, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

The 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. Details are set out in note 31 to the financial statements. No options have been granted since the approval of the scheme.

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

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

(i) The Company

Name of Directors	Number of shares held	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

(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 ("Winsley") (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.

ULTIMATE HOLDING COMPANY AND SUBSTANTIAL SHAREHOLDERS

The Directors consider the ultimate holding company of the Company at the balance sheet date to be Winsley, details of whose share interests are set out under the section headed "Directors' and Chief Executives' Interests in Share Capital of the Company".

At the balance sheet date, 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:

Long Position

Name	Number of Shares held	Percentage of Shareholding
Winsley Investment Limited *(Note)*	202,575,000	23.58 per cent
Lin Huiwen	196,880,000	22.92 per cent
Yuen Sau Ying Eva	68,256,000	7.94 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 the balance sheet date.

AUDITOR

The Audit Committee reviews the appointment of the Company auditor, its effectiveness and its relationship with the Company, which includes monitoring our use of the auditor for non-audit services and the balance of audit and non-audit fees paid. The financial statements since the year ended 31 December 2010 were audited by Lo and Kwong C.P.A. Company Limited. Pursuant to the internal business restructuring between the practices of Lo and Kwong C.P.A. Company Limited and ZHONGLEI (HK) CPA Company Limited, Lo and Kwong C.P.A. Company Limited resigned and ZHONGLEI (HK) CPA Company Limited was appointed as auditor of the Company on 30 December 2013. The financial statements of the Company for the year ended 31 December 2013 were audited by ZHONGLEI (HK) CPA Company Limited. Following a review of the independence and effectiveness of our Company auditor, a resolution will be submitted to the forthcoming annual general meeting to re-appoint ZHONGLEI (HK) CPA Company Limited as auditor of the Company. Each Director believes that there is no relevant information of which our Company auditor is unaware. Each has taken all steps necessary as a Director to be aware of any relevant audit information and to establish that the auditor is made aware of any pertinent information.

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

Hong Kong, 18 March 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

This report is a product of the Company's compliance with all relevant recommendations laid down in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The Company is committed to maintain a high standard of corporate governance practices and procedures. The Board believes that good corporate governance helps the Company safeguard the interests of its stakeholders and improve the performance of the Group. During the year under review, the Company had complied with all the applicable code provisions (the "Code Provisions") set out in Corporate Governance Code contained in Appendix 14 to the Listing Rules 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. 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.

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.

BOARD OF DIRECTORS

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

Executive Directors:

Chan Chun Choi *(Chairman and Managing Director)*
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

Lo So Wa Lucy (formerly known as Lu Su Hua) is the spouse of Mr. Chan Chun Choi.
Chan Kingsley Chiu Yin is the son of Mr. Chan Chun Choi.

The Board consists of a good mix of expertise, knowledge, experience and skills, the essential abilities to guide the teams to fulfill corporate goals. The mission of the Board is to undertake the role for strategic planning and development of the Group with the objective to maximize its shareholders' value. Through the aids of senior management and the internal control mechanism, the Board monitors and supervises, from time to time, the ongoing performance of the Group.

The Board is responsible to develop and review Company's policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to employees and directors; and to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

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

The Company has received, from each of its INEDs, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company therefore considers that all INEDs are independent.

The bye-laws of the Company (the "Bye-laws") allow board meetings to be conducted by way of telephone or video conference and all Directors are given fourteen-day notices for regular board meetings. Sufficient information was supplied by management to facilitate the board meetings in making decisions. In both regular and ad hoc board meetings as required by business needs, the Directors are free to include matters of interest for discussion in the agenda. Other than the board papers and related materials, documents of all kinds in relation to the entire Group are accessible to all Directors at any time with one-day notice.

During the year, four board meetings and one annual general meeting (the "AGM") were held and the attendance summary is as below:

Name of Director	Board Meetings Number of attendance/Total	AGM Number of attendance/Total
Chan Chun Choi	4/4	1/1
Chan Kingsley Chiu Yin	4/4	1/1
Lo So Wa Lucy (formerly known as Lu Su Hua)	4/4	1/1
Ip Ka Keung	4/4	1/1
Lam King Hang	4/4	1/1
Cheung Man Fu	4/4	1/1

RE-ELECTION OF DIRECTORS

In accordance with clauses 87(1) of the Company's bye-laws, Ms. Lo So Wa Lucy (formerly known as Lu Su Hua) and Mr. Cheung Man Fu, shall retire from their offices and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

DIRECTOR'S TRAINING

All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant.

The Directors are committed to complying with the Code Provision A6.5 on Directors' training. All Directors have participated in continuous professional development and provided their records of training they received to the Company for the financial year ended 31 December 2014.

Name of Director	Attending seminars/ conferences/reading materials relevant to the business or directors' duties
Chan Chun Choi	✓
Chan Kingsley Chiu Yin	✓
Lo So Wa Lucy (formerly known as Lu Su Hua)	✓
Ip Ka Keung	✓
Lam King Hang	✓
Cheung Man Fu	✓

THE CHAIRMAN AND MANAGEMENT TEAM

The Company implements a clear division of responsibilities among its top management. The chairman is kept separate from the control of daily operations. The role of chairman is management of the Board including oversees the functions of the Board and provide leadership for the Board. The management team takes responsibility for the Group's day-to-day business operations.

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

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

INTERNAL CONTROL

The Board ensures the maintenance of sound and effective internal controls to safeguard the Shareholders' investment and the assets of the Company. The Board also considered that there was room for improvement upon the finalization of the 2014 audit. The Company had been set up an internal audit department.

FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The Directors will also ensure the publication of the financial statements of the Group in a timely manner. Equally important, they are also responsible for keeping proper accounting records and disclosures.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three members who are all the INEDs Mr. Ip Ka Keung (Chairman), Dr. Lam King Hang and Mr. Cheung Man Fu. The composition and member of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference, which describe the authority and duties of the Audit Committee, were adopted since its establishment and had been amended to conform to the provisions of the Code.

The Audit Committee is to:

- consider the appointment of the external auditors, the performance of the external auditors, the audit fee, and any questions of resignation or dismissal;
- review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the Director to be included in the annual accounts prior to endorsement by the Board;
- have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- prior to audit commencement, review the scope of the external audit, including the engagement letter. The Committee should understand the factors considered by the external auditor in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;
- review the annual and interim financial reports prior to approval by the Board;
- review the draft representation letter to approval by the Board;

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

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

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

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

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

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

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

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

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

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

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

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

- establish a whistleblowing policy and system;

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

- consider other topics, as requested by the Board.

The Audit Committee convenes meetings to review with management the accounting principles and practices adopted by the Group and all other matters within the scope of its terms of reference and the maintenance of the independence and objectivity of the external auditors. For the audit of 2014 accounts, the existing Committee members satisfy with the performance by the Auditor, who presented the implications of those accounting standards enforceable in this and subsequent financial years to the Audit Committee.

The Group's 2014 audited financial statements had been duly reviewed by the Audit Committee with management and the Auditor. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of the Auditor and therefore recommends the Board that the Auditor be re-appointed as our auditor in the Company's forthcoming annual general meeting. With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2014 consolidated financial statements of the Company, the Directors, both collectively and individually, applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

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

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

Name of Director	**Number of attendance/Total**
Ip Ka Keung *(Chairman)*	4/4
Lam King Hang	4/4
Cheung Man Fu	4/4

REMUNERATION COMMITTEE

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

The Remuneration Committee shall:

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

- without prejudice to the generality of the foregoing:

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

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

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

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

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

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

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

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

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

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

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

Name of Director	Number of attendance/Total
Lam King Hang *(Chairman)*	1/2
Ip Ka Keung	2/2
Cheung Man Fu	2/2

The remuneration package for Hong Kong staff is strictly on a monthly-salary basis. Year-end bonus is linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly.

The Group does not operate any pension or retirement schemes for its Directors or employees until the implementation of the MPF Ordinance in late 2000.

The Group has 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.

Due to its unfavorable performance over years, the Group offered no benefits of any kind, except the employer's contribution to MPF, to its directors and staff in 2014.

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

The emoluments paid or payable to each of six (2013: seven) Directors were as follows:

2014

	Fees 2014 HK$'000	Waived fees 2014 HK$'000	Net fees 2014 HK$'000	Salaries, allowances and benefits in kind 2014 HK$'000	Contributions to retirement benefits in scheme 2014 HK$'000	Total 2014 HK$'000	Total 2013 HK$'000
Executive director and chief executive							
Mr. Chan Chun Choi *(Note i)*	6,500	(6,500)	-	-	-	-	–
Executive directors							
Ms. Lo So Wa, Lucy	374	-	374	-	17	391	375
Mr. Lin Huiwen *(Note ii & iii)*	-	-	-	-	-	-	–
Mr. Chan Kingsley Chu yin	249	-	249	-	12	261	252
Sub-total	7,123	(6,500)	623	-	29	652	627
Independent non-executives directors							
Mr. Ip Ka Keung	100	-	100	-	-	100	100
Dr. Lam King Hang	100	-	100	-	-	100	100
Mr. Cheung Man Fu	100	-	100	-	-	100	100
Sub-total	300	-	300	-	-	300	300
Total	7,423	(6,500)	923	-	29	952	927

Notes:

i) Mr. Chan Chun Choi agreed to waive his emoluments of approximately HK$6,500,000 (2013: HK$6,500,000) for the year ended 31 December 2014.

ii) Mr. Lin Huiwen was resigned on 7 June 2013.

iii) Mr. Lin Huiwen agreed to waive his emoluments of approximately HK$43,000 for the year ended 31 December 2013.

The emoluments of the Directors fell within the following bands:

	2014 Number of Directors	2013 Number of Directors
Nil – HK$1,000,000	**6**	7

NOMINATION COMMITTEE

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

- review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy;
- identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise;
- make recommendations to the Board on matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Managing Director;
- assess the independence of independent non-executive directors and review the Independent Non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the Corporate Governance Report; and
- report back to the Board on decisions or recommendations made, unless there are legal or regulatory restrictions to do so.

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

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

Name of Director	**Number of attendance/Total**
Cheung Man Fu *(Chairman)*	2/2
Lam King Hang	1/2
Ip Ka Keung	2/2

AUDITOR'S REMUNERATION

During the financial year, fees paid or payable to ZHONGLEI (HK) CPA Company Limited, the auditor of the Company (the "Auditor") for audit services was HK$420,000 and for non-audit service was HK$110,000.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is an employee of the Company. The Company Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of Directors. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed. During the year under review, the Company Secretary has confirmed that she has taken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDER RIGHTS

In accordance with clause 58 of bye-laws, any shareholder holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for transaction of any business specified in such requisition.

INVESTOR RELATIONS

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

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

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

Independent Auditor's Report

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE MEMBERS OF VICTORY GROUP LIMITED
華多利集團有限公司
(incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of Victory Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 97, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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
Wan Chai
Hong Kong

18 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	7	**30,216**	29,963
Interest income		**1,117**	–
Others		**29,099**	29,963
Cost of sales		**(29,483)**	(29,625)
Gross profit		**733**	338
Other income	9	**243**	128
Selling and distribution expenses		**(10,810)**	(10,889)
Administrative expenses		**(13,050)**	(17,851)
Fair value change on contingent consideration	21	**570**	2,432
Operating loss		**(22,314)**	(25,842)
Finance costs	10	**(181)**	(3,970)
Loss before tax		**(22,495)**	(29,812)
Income tax expense	11	**(52)**	–
Loss for the year	12	**(22,547)**	(29,812)
Loss for the year attributable to:			
Owners of the Company		**(21,967)**	(29,796)
Non-controlling interests		**(580)**	(16)
		(22,547)	(29,812)
Loss per share	16		
Basic (HK cents)		**(2.56)**	(3.47)
Diluted (HK cents)		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Loss for the year and total comprehensive expenses for the year	**(22,547)**	(29,812)
Total comprehensive expenses attributable to:		
Owners of the Company	**(21,967)**	(29,796)
Non-controlling interests	**(580)**	(16)
	(22,547)	(29,812)

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**2,902**	1,947
Prepaid lease payment – non-current portion	18	**12,186**	12,567
Prepayments – non-current portion	22	**3,000**	10,717
Loan and interest receivables – non-current portion	20	**2,722**	–
		20,810	25,231
CURRENT ASSETS			
Inventories	19	**15,044**	28,371
Loan and interest receivables	20	**5,859**	–
Contingent consideration receivable	21	**–**	10,468
Prepayment, deposits and other receivables	22	**28,731**	33,019
Prepaid lease payment – current portion	18	**381**	381
Tax recoverable		**55**	1,681
Bank balances and cash	23	**18,917**	13,383
		68,987	87,303
CURRENT LIABILITIES			
Trade payables	24	**100**	100
Other payables and accruals	25	**3,196**	4,003
Deposit received		**41**	505
Amounts due to directors	26	**3,069**	5,131
Amount due to a minority shareholder	26	**4,889**	4,889
Promissory note payable	27	**–**	2,857
Bank borrowing	28	**6,000**	–
		17,295	17,485
NET CURRENT ASSETS		**51,692**	69,818
TOTAL ASSETS LESS CURRENT LIABILITIES		**72,502**	95,049

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CAPITAL AND RESERVES			
Share capital	30	**859**	859
Reserves		**72,198**	94,165
Equity attributable to owners of the Company		**73,057**	95,024
Non-controlling interests		**(555)**	25
TOTAL EQUITY		**72,502**	95,049

The consolidated financial statements on pages 38 to 97 were approved and authorised for issue by the board of directors on 18 March 2015 and are signed on its behalf by:

Chan Chun Choi	**Lo So Wa Lucy**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	859	158,099	710	(34,848)	124,820	(4)	124,816
Loss for the year, representing total comprehensive expenses for the year	–	–	–	(29,796)	(29,796)	(16)	(29,812)
Capital injection by non-controlling interests	–	–	–	–	–	45	45
At 31 December 2013	859	158,099	710	(64,644)	95,024	25	95,049
Loss for the year, representing total comprehensive expenses for the year	–	–	–	(21,967)	(21,967)	(580)	(22,547)
At 31 December 2014	**859**	**158,099**	**710**	**(86,611)**	**73,057**	**(555)**	**72,502**

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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(22,495)**	(29,812)
Adjustments for:		
Bank interest income	**(58)**	(106)
Interest expenses	**181**	3,970
Depreciation of property, plant and equipment	**895**	208
Amortisation of prepaid lease payments	**381**	381
Fair value change on contingent consideration	**(570)**	(2,432)
Impairment loss recognised in respect of inventories	**629**	7,225
(Gain) on disposal/loss on written off of property, plant and equipment	**(1)**	15
Operating cash flows before movements in working capital	**(21,038)**	(20,551)
Decrease (increase) in inventories	**12,698**	(7,036)
Decrease in trade receivables	**–**	263
Increase in loan and interest receivables	**(8,581)**	–
Decrease in prepayment, deposits and other receivables	**20,005**	13,234
Decrease in trade payables	**–**	(1,890)
(Decrease) increase in other payables and accruals	**(807)**	992
(Decrease) increase in deposit received	**(464)**	113
(Decrease) increase in amounts due to directors	**(2,062)**	190
Cash used in operations	**(249)**	(14,685)
Income tax refunded (paid)	**1,574**	(1,624)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**1,325**	(16,309)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1,850)**	(23)
Proceeds from disposal of property, plant and equipment	**1**	–
Bank interest received	**58**	106
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(1,791)**	83
FINANCING ACTIVITIES		
New borrowing raised	**6,000**	–
Capital injection by non-controlling interests	**–**	45
Increase in amount due to a minority shareholder	**–**	4,889
NET CASH FROM FINANCING ACTIVITIES	**6,000**	4,934
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,534**	(11,292)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**13,383**	24,675
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**18,917**	13,383

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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the "Group").

During the year ended 31 December 2014, the Group was principally engaged in investment holding, trading of motor vehicles and money lending business.

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

Application of new and revised HKFRSs and HKASs

The Group has applied the following new and revised HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendment to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendment to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendment to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendment to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC*) – Int 21	Levies

* *IFRIC represents the International Financial Reporting Interpretations Committee*

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

Application of new and revised HKFRSs and HKASs – *Continued*

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

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

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

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

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

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

Application of new and revised HKFRSs and HKASs – *Continued*

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosure for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements application to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

New and revised HKFRSs and HKASs in issue but not yet effective

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

Annual Improvements Project	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Annual Improvements Project	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Annual Improvements Project	Annual Improvements to HKFRSs 2012-2014 Cycle[5]
HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19 (2011)	Defined Benefits Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

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

New and revised HKFRSs and HKASs in issue but not yet effective – *Continued*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

– All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless that recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

New and revised HKFRSs and HKASs in issue but not yet effective – *Continued*

HKFRS 9 Financial Instruments – Continued

– In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

– The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risks management activities have also been introduced.

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

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

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

New and revised HKFRSs and HKASs in issue but not yet effective – *Continued*

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Continued

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for its property, plant and equipment. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefits Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefits plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employee's periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

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

New and revised HKFRSs and HKASs in issue but not yet effective – *Continued*

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

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

New and revised HKFRSs and HKASs in issue but not yet effective – *Continued*

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Continued
Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle
The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below:

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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

New and revised HKFRSs and HKASs in issue but not yet effective – *Continued*

Annual Improvements to HKFRSs 2010-2012 Cycle – Continued

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segment, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

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

New and revised HKFRSs and HKASs in issue but not yet effective – *Continued*

Annual Improvements to HKFRSs 2011-2013 Cycle
The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle
The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.

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

New and revised HKFRSs and HKASs in issue but not yet effective – *Continued*

Annual Improvements to HKFRSs 2012-2014 Cycle – Continued

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Basis of preparation – *Continued*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.1 Basis of consolidation – *Continued*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders:

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.2 Business combinations

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.2 Business combinations – *Continued*

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

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

– the amount of revenue can be measured reliably;

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

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

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

3.4 Leasing

All leases are classified as operating leases.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.4 Leasing – *Continued*

Leasehold land for own use

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

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

3.5 Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

– exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.5 Foreign currencies – *Continued*

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

3.6 Retirement benefit costs and termination benefits

(a) *Retirement benefit costs*

Payments to the Mandatory Provident Fund Scheme ("MPF") are recognised as an expense when employees have rendered services entitling them to the contributions.

(b) *Termination benefits*

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

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

3.7 Taxation

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

Current tax

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.7 Taxation – *Continued*

Deferred tax

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.8 Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

3.9 Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.10 Provisions

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

The amount recognised as a provision, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3.11 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.11 Financial instruments – *Continued*

Financial assets – Continued

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

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

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

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

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "fair value change on contingent consideration" line item. Fair value is determined in the manner described in Note 6(d) to the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.11 Financial instruments – *Continued*

Financial assets – Continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including loan and interest receivables, deposits and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

– significant financial difficulty of the issuer or counterparty; or

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

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

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

For certain categories of financial assets, such as loan and interest receivables and other receivables, assets are assessed for impairment on a collective basis unless they were assessed individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.11 Financial instruments – *Continued*

Financial assets – Continued

Impairment of financial assets – *Continued*

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accruals, amounts due to directors/a minority shareholder, promissory note payable and bank borrowing) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.11 Financial instruments – *Continued*

Derecognition

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

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

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.12 Bank balances and cash

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

3.13 Borrowing costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

3.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on specific identification and include all cost of purchase, and other costs incurred in bringing the inventories to their present location and conditions. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3 to the consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

The Directors have not come across any significant areas where critical judgments are involved in applying the Group's accounting policies.

Key sources of estimation uncertainty

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

(a) Useful lives of property, plant and equipment

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

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

Key sources of estimation uncertainty – *Continued*

(b) *Estimated impairment losses for property, plant and equipment and prepaid lease payment*

The impairment losses for property, plant and equipment and prepaid lease payment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policies. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. The Directors appointed an independent qualified professional values, Roma Appraisals Limited ("Roma"), to perform property valuations based on prices realised on actual sales of comparative properties. Roma has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values. No impairment losses on the building and prepaid lease payment were recognised for the years ended 31 December 2014 and 2013.

(c) *Estimated impairment for loan and interest receivables*

The Group establishes, through charges against the consolidated statement of profit or loss, impairment allowances in respect of estimated incurred loss in loan and interest receivables. The allowances consist of individual impairment allowances. The overall impairment allowances represent the aggregate amount by which the management considers necessary to write-down its loan portfolio in order to state it in the consolidated statement of financial position at its estimated net recoverable value.

In determining individual impairment allowances, management considers objective evidence of impairment. When loan and interest receivable is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

In determining collective impairment allowances, management uses estimates based on historical experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

During the year ended 31 December 2014, no impairment loss in respect of loan and interest receivables (2013: Nil) had been recognised in the consolidated statement of profit or loss.

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

Key sources of estimation uncertainty – *Continued*

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

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

The estimation of compensation involves assumptions, such as selling quantities and market prices of second hand left-hand-drive motor vehicles. Should there be only significant changes in these assumptions or prevailing market rate, the fair value of contingent consideration arising from business combination will change from period to period. A fair value change on contingent consideration of approximately HK$570,000 (2013: HK$2,432,000) was recognised in the consolidated statement of profit or loss during the year ended 31 December 2014 which was mainly due to an unanticipated market down turn of the second hand left-hand-drive motor vehicles in the People's Republic of China ("PRC"). Details of the contingent consideration are disclosed in Note 21 to the consolidated financial statements.

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

A promissory note with principal amount of HK$22,000,000 was issued on 5 June 2012 by the Company represented part of the consideration for the acquisition of the entire equity interest in Jumbo Chance. According to the valuation report issued by BMI Appraisals Limited ("BMI"), the fair value of the promissory note was determined to be approximately HK$16,410,000 at the issuance date. The promissory note was valued by discounted cash flow method using the effective interest rate of 15.9%. At 31 December 2013, based on the Directors' best estimation, the promissory note amounted to approximately HK$2,857,000 (details of the promissory note are disclosed in Note 27 to the consolidated financial statements).

(f) *Estimated impairment for inventories*

The Group reviews an aging analysis at the end of the reporting period, and determines the impairment for inventories by reference to the current market conditions of the inventories. During the year ended 31 December 2014, an impairment loss of approximately HK$629,000 (2013: HK$7,225,000) was recognised in consolidated statement of profit or loss.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments:

(i) Financial assets

	2014 HK$'000	2013 HK$'000
Loans and receivables		
Loan and interest receivables	**8,581**	–
Deposits and other receivables	**19,175**	20,090
Bank balances and cash	**18,917**	13,383
	46,673	33,473
Asset at fair value through profit or loss		
Contingent consideration receivable	**–**	10,468
	46,673	43,941

(ii) Financial liabilities

	2014 HK$'000	2013 HK$'000
Other financial liabilities at amortised cost		
Trade payables	**100**	100
Other payables and accruals	**3,196**	4,003
Amounts due to directors	**3,069**	5,131
Amount due to a minority shareholder	**4,889**	4,889
Promissory note payable	**–**	2,857
Bank borrowing	**6,000**	–
	17,254	16,980

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *Continued*

(a) Market risk

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(i) Currency risk

The Group operates in Hong Kong with most of the transactions denominated and settled in HK$. The Group's foreign currency is mainly Japanese Yen ("JPY"). The Group has bank balances and cash denominated in JPY.

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

	2014 HK$'000	2013 HK$'000
JPY	**11**	11

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

The Group does not have material currency risk on JPY as the effect is minimal.

(ii) Interest rate risk

The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's bank balances and bank borrowing with floating interest rates which expose the Group to cash flow interest rate risk. Loan and interest receivables at fixed rates exposes the Group to fair value interest rate risk.

The interest rates of bank borrowing of the Group are disclosed in Note 28. The Group currently does not have an interest rate hedging policy. However, management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net loss.

	Increase/ decrease in interest rate (basis point)	**Decrease/ increase in post-tax loss** HK$'000
2014	**100**	**108**
2013	100	112

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *Continued*

(b) Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of loan and interest receivables, other receivables and bank balances and cash represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any.

The Group expects that there is no significant credit risk associated with cash at bank since all the Group's bank balances and cash are deposited with major and creditworthy banks located in Hong Kong and the PRC.

The Group is exposed to credit risk attributable to loan and interest receivables from customers. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis. In respect of loan and interest receivables from customers, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Loan and interest receivables from customers are due as at the due date of corresponding loan agreements.

As at 31 December 2014, all loan and interest receivables from customers are secured by properties situated in Hong Kong (2013: Nil). The Group closely monitors the ownership and value of the collaterals throughout the loan period. Further, as at 31 December 2014, approximately 47% (2013: Nil) of the total loan and interest receivables from customers were due from the largest customer and there are total five customers as at 31 December 2014 for the Group's money lending business. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Directors review the recoverability of each loan and interest receivables and other receivables at the end of the reporting period to ensure that adequate impairment losses are provided for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan and interest receivables from customers are set out in Note 20 to the consolidated financial statement.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *Continued*

(c) Liquidity risk

Ultimate responsibility for liquidity risk rests with the Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and based on the earliest date on which the Group would be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate %	Within 1 year or on demand HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2014				
Trade payables	N/A	100	100	100
Other payables and accruals	N/A	3,196	3,196	3,196
Amounts due to directors	N/A	3,069	3,069	3,069
Amount due to a minority shareholder	N/A	4,889	4,889	4,889
Bank borrowing	3.5	6,003	6,003	6,000
		17,257	17,257	17,254

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *Continued*

(c) Liquidity risk – *Continued*

	Weighted average interest rate %	Within 1 year or on demand HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2013				
Trade payables	N/A	100	100	100
Other payables and accruals	N/A	4,003	4,003	4,003
Amounts due to directors	N/A	5,131	5,131	5,131
Amount due to a minority shareholder	N/A	4,889	4,889	4,889
Promissory note payable	15.9	3,038	3,038	2,857
		17,161	17,161	16,980

(d) Fair value measurements of financial instruments

This note provided information about how the Group determines fair values of various financial assets and financial liabilities.

(i) *Fair value of the Group's financial asset that is measured at fair value on a recurring basis*

The Group's financial asset, by means of contingent consideration receivable, is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value as at 31 December 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s
Contingent consideration receivable	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

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and 2 or transfers into or out of Level 3.

The fair value of the financial asset included in the level 3 category above has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risks of counterparties.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *Continued*

(d) Fair value measurements of financial instruments – *Continued*

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	Contingent consideration receivable
	HK$'000
At 1 January 2013	26,998
Fair value change	2,432
Settlement	(18,962)
At 31 December 2013	10,468
Fair value change	570
Settlement	(3,038)
Transfer to other receivables	(8,000)
At 31 December 2014	**–**

7. REVENUE

Turnover represents the gross proceeds received and receivable from trading of motor vehicles and money lending business. The following is an analysis of the Group's revenue:

	2014	2013
	HK$'000	HK$'000
Trading of motor vehicles	**29,099**	29,963
Interest income from loan financing	**1,117**	–
	30,216	29,963

8. 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 year ended 31 December 2014.

Segment revenue and results

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

For the year ended 31 December 2014

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Revenue	29,099	1,117	30,216
Segment results	(19,126)	539	(18,587)
Unallocated corporate income			243
Unallocated corporate expenses			(4,540)
Fair value change on contingent consideration			570
Finance costs			(181)
Loss before tax			(22,495)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit (loss) generated by each segment without allocation of central administration costs including directors' emoluments, other income, fair value change on contingent consideration and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

8. 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 31 December 2014

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Segment assets	43,221	8,590	51,811
Unallocated corporate assets			37,986
Total assets			89,797
Segment liabilities	5,144	–	5,144
Unallocated corporate liabilities			12,151
Total liabilities			17,295

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, prepaid lease payment, bank balances and cash, certain prepayments, deposits and other receivables and tax recoverable; and
- all liabilities are allocated to operating segments other than trade payables, certain accruals and other payables, amounts due to directors and bank borrowing.

8. SEGMENT INFORMATION – *Continued*

Other segment information

For the year ended 31 December 2014

	Trading of motor vehicles HK$'000	Money lending HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:				
Depreciation on plant and equipment	693	2	200	895
Additions to plant and equipment	1,838	12	–	1,850
Impairment loss recognised in respect of inventories	629	–	–	629

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

	Trading of motor vehicles HK$'000	Money lending HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amortisation of prepaid lease payment	–	–	381	381
Fair value change on contingent consideration	–	–	(570)	(570)
Gain on disposal of property, plant and equipment	–	–	(1)	(1)
Bank interest income	–	–	(58)	(58)
Finance costs	–	–	181	181

For the year ended 31 December 2013

During the year ended 31 December 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.

Geographical information

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

8. SEGMENT INFORMATION – *Continued*

Other segment information – *Continued*

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2014 HK$'000	2013 HK$'000
Customer A[1]	**5,423**	N/A[2]

[1] Revenue from trading of motor vehicles

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group in respective year

9. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Bank interest income	**58**	106
Gain on disposal of property, plant and equipment	**1**	–
Other income	**184**	22
	243	128

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Imputed interest on promissory note payable *(Note 27)*	**181**	3,970

11. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax:		
– Hong Kong	**62**	–
Over provision in prior year:		
– Hong Kong	**(10)**	–
	52	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong Profits Tax has been provided in 2013 as the Group did not generate any assessable profits arising in Hong Kong for the year ended 31 December 2013.

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

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

The tax charge for the year can be reconciled to loss before tax per the consolidated statement of profit or loss as follows:

	2014 HK$'000	2013 HK$'000
Loss before tax	**(22,495)**	(29,812)
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	**(3,712)**	(4,919)
Tax effect of income not taxable for tax purpose	**(106)**	(419)
Tax effect of expenses not deductible for tax purpose	**49**	1,891
Tax effect of different tax rate of subsidiaries operating in other jurisdictions	**(1)**	(10)
Tax effect of tax losses not recognised	**3,707**	3,435
Tax effect of temporary differences not recognised	**125**	22
Over provision in prior year	**(10)**	–
Income tax expense for the year	**52**	–

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2014 HK$'000	2013 HK$'000
Auditor's remuneration		
– Audit services	470	450
– Other services	110	100
	580	550
Cost of inventories recognised as an expense	29,483	29,625
Amortisation of prepaid lease payments	381	381
Depreciation of property, plant and equipment	895	208
Loss on written off of property, plant and equipment	–	15
Impairment loss recognised in respect of inventories included in administrative expenses	629	7,225
Minimum lease payments under operating lease in respect of rented premises	814	384
Staff costs (including directors' emoluments) *(Note 13)*	2,267	2,930

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

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	2,192	2,803
Contributions to retirement benefits scheme	86	103
(Over) provision for annual leave payments	(11)	24
	2,267	2,930

Of the five individuals with the highest emoluments in the Group, two (2013: two) were Directors whose emoluments are included in Note 14 below. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	727	668
Contributions to retirement benefits scheme	30	27
	757	695

The emoluments of each of the above employees were less than HK$1,000,000 during the two years ended 31 December 2014 and 2013.

During the two years ended 31 December 2014 and 2013, no emoluments was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of six (2013: seven) Directors were as follow:

2014	Fees HK$'000	Waived fees HK$'000	Net fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive director and chief executive						
Mr. Chan Chun Choi *(Note i)*	6,500	(6,500)	-	-	-	-
Executive directors						
Ms. Lo So Wa, Lucy	374	-	374	-	17	391
Mr. Chan Kingsley Chiu Yin	249	-	249	-	12	261
Sub-total	7,123	(6,500)	623	-	29	652
Independent non-executive directors						
Mr. Ip Ka Keung	100	-	100	-	-	100
Dr. Lam King Hang	100	-	100	-	-	100
Mr. Cheung Man Fu	100	-	100	-	-	100
Sub-total	300	-	300	-	-	300
Total	7,423	(6,500)	923	-	29	952

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – *Continued*

The emoluments paid or payable to each of six (2013: seven) Directors were as follow: – *Continued*

2013	Fees HK$'000	Waived fees HK$'000	Net fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive director and chief executive						
Mr. Chan Chun Choi *(Note i)*	6,500	(6,500)	–	–	–	–
Executive directors						
Ms. Lo So Wa, Lucy	360	–	360	–	15	375
Mr. Lin Huiwen *(Note ii & iii)*	43	(43)	–	–	–	–
Mr. Chan Kingsley Chiu Yin	240	–	240	–	12	252
Sub-total	7,143	(6,543)	600	–	27	627
Independent non-executive directors						
Mr. Ip Ka Keung	100	–	100	–	–	100
Dr. Lam King Hang	100	–	100	–	–	100
Mr. Cheung Man Fu	100	–	100	–	–	100
Sub-total	300	–	300	–	–	300
Total	7,443	(6,543)	900	–	27	927

Notes:

i) Mr. Chan Chun Choi agreed to waive his emoluments of approximately HK$6,500,000 (2013: HK$6,500,000) for the year ended 31 December 2014.

ii) Mr. Lin Huiwen was resigned on 7 June 2013.

iii) Mr. Lin Huiwen agreed to waive his emoluments of approximately HK$43,000 for the year ended 31 December 2013.

During the two years ended 31 December 2014 and 2013, no emolument was paid by the Group to the Directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

16. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on loss attributable to owners of the Company of approximately HK$21,967,000 (2013: HK$29,796,000) and the weighted average of 859,146,438 (2013: 859,146,438) ordinary shares of the Company in issue during the year.

No diluted earnings per share has been presented as there was no dilutive potential ordinary share for the years ended 31 December 2014 and 2013.

17. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold Improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2013	2,661	–	677	208	2,421	5,967
Additions	–	–	–	23	–	23
Written off	–	–	(10)	(47)	–	(57)
At 31 December 2013	2,661	–	667	184	2,421	5,933
Additions	–	1,838	3	9	–	1,850
Disposal	–	–	–	–	(2,421)	(2,421)
At 31 December 2014	2,661	1,838	670	193	–	5,362
ACCUMULATED DEPRECATION						
At 1 January 2013	967	–	299	133	2,421	3,820
Provided for the year	49	–	129	30	–	208
Eliminated on written off	–	–	(8)	(34)	–	(42)
At 31 December 2013	1,016	–	420	129	2,421	3,986
Provided for the year	49	689	130	27	–	895
Eliminated on disposal	–	–	–	–	(2,421)	(2,421)
At 31 December 2014	1,065	689	550	156	–	2,460
CARRYING VALUES						
At 31 December 2014	1,596	1,149	120	37	–	2,902
At 31 December 2013	1,645	–	247	55	–	1,947

17. PROPERTY, PLANT AND EQUIPMENT – *Continued*

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

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

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

At 31 December 2014, the building with a carrying value of approximately HK$1,596,000 (2013: Nil) has been pledged to secure the Group's bank borrowing (Note 28).

The Directors appointed an independent qualified professional valuer, Roma, to perform property valuations based on prices realised on actual sales of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values. No impairment loss on the building was recognised for the years ended 31 December 2014 and 2013.

18. PREPAID LEASE PAYMENT

	HK$'000
COST	
At 1 January 2013, 31 December 2013 and 31 December 2014	20,945
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2013	7,616
Amortisation for the year	381
At 31 December 2013	7,997
Amortisation for the year	381
At 31 December 2014	**8,378**
CARRYING VALUES	
At 31 December 2014	**12,567**
At 31 December 2013	12,948

	2014	2013
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Non-current	**12,186**	12,567
Current	**381**	381
	12,567	12,948

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

At 31 December 2014, the prepaid lease payment with a carrying value of approximately HK$12,567,000 (2013: Nil) has been pledged to secure the Group's bank borrowing (Note 28).

The Directors appointed an independent qualified professional valuer, Roma, to perform property valuations based on prices realised on actual sales of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values. No impairment loss on the prepaid lease payments was recognised for the years ended 31 December 2014 and 2013.

19. INVENTORIES

	2014 HK$'000	2013 HK$'000
Second hand left-hand-drive motor vehicles	**1,317**	10,587
Right-hand-drive motor vehicles	**13,727**	17,784
	15,044	28,371

Inventories are stated at the lower of cost and net realisable value. At 31 December 2014, approximately of HK$1,317,000 was stated at net realisable value (2013: HK$10,587,000).

20. LOAN AND INTEREST RECEIVABLES

	2014 HK$'000	2013 HK$'000
Secured loan and interest receivables	**8,581**	–
Analysed as:		
Current	**5,859**	–
Non-current	**2,722**	–
	8,581	–

The secured loan and interest receivables arising from loan financing business are secured by properties located in Hong Kong and bear interest at fixed interest rate ranging from 18% to 30% (2013: Nil) per annum. The term of loans entered with customers ranges from 1 month to 120 months.

The following table illustrates the ageing analysis, based on the loan drawn down dates, of the loan and interest receivables (net of accumulated impairment losses) outstanding at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
Less than 3 months	**2,950**	–
More than 3 months but less than 6 months	**1,631**	–
More than 6 months	**4,000**	–
	8,581	–

20. LOAN AND INTEREST RECEIVABLES – *Continued*

The Group's loan financing customers included in the loan and interest receivables are due for settlement at the dates specified in the respective loan agreements.

As at 31 December 2014 and 2013, all of the loan and interest receivables are neither past due nor impaired. The Group holds properties as collateral over those balances.

The loan and interest receivables outstanding as at 31 December 2014 and 2013 are denominated in HK$.

During the years ended 31 December 2014 and 31 December 2013, no impairment loss on loan and interest receivables was recognised in the consolidated statement of profit or loss.

21. CONTINGENT CONSIDERATION RECEIVABLE

	2014	2013
	HK$'000	HK$'000
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, 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 27 to the consolidated financial statements).

Pursuant to the Agreement, the Vendor and the Guarantor has jointly, severally, irrevocably and unconditionally warranted, guaranteed and undertaken to and with the Company that the consolidated net profits of the Jumbo Chance Group for each of the one-year period from 1 April 2012 to 31 March 2013 (the "First Relevant Period") and the one-year period from 1 April 2013 to 31 March 2014 (the "Second Relevant Period") as to be shown in the audited 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").

21. CONTINGENT CONSIDERATION RECEIVABLE – *Continued*

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.

For the Second Relevant Period, the Jumbo Chance Group has also incurred a consolidated loss of approximately HK$25,695,000 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 and the remaining balance of the Shortfall Amount, which is due from the Vendor, of HK$8,000,000 was reclassified as other receivables as at 31 December 2014. Also, an amount of approximately HK$570,000 (31 December 2013: HK$2,432,000) has been recognised as gain on change in fair value of contingent consideration in the consolidated statement of profit or loss for the year ended 31 December 2014.

22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Prepayment *(Note a)*		
– Non-current portion	**3,000**	10,717
– Current portion	**7,717**	10,800
	10,717	21,517
Other receivables *(Note b)*	**18,162**	19,964
Deposits	**1,013**	126
Other prepayments	**1,064**	–
Purchase deposits	**775**	2,129
Total prepayment, deposits and other receivables	**31,731**	43,736
Less: Prepayment classified as non-current assets	**(3,000)**	(10,717)
Prepayment, deposits and other receivables – current portion	**28,731**	33,019

Notes:

(a) During the year ended 31 December 2012, Sky Dragon (China) Trading Limited ("Sky Dragon"), a wholly owned subsidiary of the Company, made advance payments to twelve PRC corporations/enterprises (collectively referred to as the "PRC Sale Representatives"). The prepayment was paid for the purpose of set-up sales desks for Sky Dragon to promote its brand name "汽車花園" in PRC, especially in the Guangdong Province. The services periods range from 3 to 5 years with services fee of HK$3,000,000 for each of the PRC Sale Representative, total of HK$36,000,000 has been paid during the year ended 31 December 2012. Service fee amounted to approximately HK$10,800,000 (2013: HK$10,800,000) has been recognised in the consolidated statement of profit or loss during the year ended 31 December 2014 using straight-line basis amortised over the service period. As at 31 December 2014, approximately HK$3,000,000 and HK$7,717,000 (2013: approximately HK$10,717,000 and HK$10,800,000) are classified as non-current assets and current assets, respectively.

(b) Included in other receivables is amount due from Ms. Leung, a former beneficial owner of Jumbo Chance. At 31 December 2014, the carrying amount due from Ms. Leung was wholly due to Sky Dragon with amount of approximately HK$13,556,000 (2013: HK$19,964,000). The amount due is unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2014, the remaining balance of Shortfail Amount of HK$8,000,000 was reclassified as other receivables as the profit guarantee periods was completed and the Jumbo Chance Group could not meet the Target Sum. Details are set out in Note 21 to the consolidated financial statements. During the year ended 31 December 2014, amounted to HK$3,404,000 has been settled by the Vendor. Therefore, amount due from the Vendor of HK$4,596,000 was included in other receivables as at 31 December 2014 (2013: Nil).

The Group does not hold any collateral over these balances.

23. BANK BALANCES AND CASH

	2014 HK$'000	2013 HK$'000
Bank balances and cash	**18,917**	13,383

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

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

	2014 '000	2013 '000
JPY	**122**	126

24. TRADE PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**100**	100

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

	2014 HK$'000	2013 HK$'000
Over 1 year	**100**	100

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

25. OTHER PAYABLES AND ACCRUALS

	2014 HK$'000	2013 HK$'000
Other payables	**2,295**	2,930
Accruals	**901**	1,073
	3,196	4,003

26. AMOUNT(S) DUE TO DIRECTORS/A MINORITY SHAREHOLDER

The amount(s) due are unsecured, non-interest bearing and repayable on demand.

27. PROMISSORY NOTE PAYABLE

	2014	2013
	HK$'000	HK$'000
At 1 January	**2,857**	17,849
Imputed interest (Note 10)	**181**	3,970
Settlement for contingent consideration	**(3,038)**	(18,962)
At 31 December	**–**	2,857
Analysed for reporting purposes as:		
Current	**–**	2,857

As disclosed in Note 21 to the 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 21 to the consolidated financial statements).

According to the valuation report issued by BMI, the fair value of the Promissory Note is determined to be approximately HK$16,410,000 at the issuance date.

As disclosed in Note 21 to the 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.

28. BANK BORROWING

	2014 HK$'000	2013 HK$'000
Secured borrowing – repayable within one year	**6,000**	–

The bank borrowing is secured by a mortgage over the Group's building and prepaid lease payment (Notes 17 and 18) and personal guarantee to be executed by the directors, Mr. Chan Chun Choi and Mr. Chan Kingsley Chiu Yiu. The bank borrowing bears interest at HIBOR (1 month) + 3.25% (2013: Nil) per annum. The carrying amount of the bank borrowing is denominated in HK$ and approximate to its fair value.

29. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of approximately HK$181,290,000 (2013: HK$158,823,000). No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams of the Group. The tax losses can be carried forward indefinitely.

30. SHARE CAPITAL

	Par value per share HK$	Number of shares	Amount HK$'000
Authorised:			
At 31 December 2013 and **31 December 2014**	**0.001**	**152,055,864,000**	**152,056**
Issued and fully paid:			
At 31 December 2013 and **31 December 2014**	**0.001**	**859,146,438**	**859**

31. SHARE OPTION SCHEME

Pursuant to resolutions passed at a annual general meeting of the shareholders held on 26 May 2014, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group; and attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

Under the terms of the Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Share Option Scheme including (i) directors, employees, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficiary owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate, to subscribe for shares in the Company at a price determined by the Board, and will not be less than the highest of (i) the nominal value of a share on the date of grant; (ii) the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date of grant; and (iii) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day.

The number of shares in respect of which options may be granted under the Share Option Scheme shall not, in aggregate, exceed 10% of the shares of the Company in issue as at the date of listing of the shares unless approved by the Company's shareholders.

Options granted to a substantial shareholder of the Company or an independent non-executive director or any their respective associates would result in the total number of the shares issued and to be issued upon exercise of the options granted and to be granted to such person in any 12-month period up to and including the date of the grant representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000 must be approved by the Company's shareholders.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the 26 May 2014, unless otherwise cancelled or amended.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No share option was granted under the Share Option Scheme since it has been adopted on 26 May 2014.

32. OPERATING LEASES

The Group as lessee

	2014 HK$'000	2013 HK$'000
Minimum lease payments paid under operating leases during the year:		
– Premises	**814**	384

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

	2014 HK$'000	2013 HK$'000
Within one year	**1,149**	384
In the second to fifth years, inclusive	**1,170**	–
	2,319	384

The Group leases premises under an operating lease. The lease runs for an initial period of 2 years (2013: 2.5 years), with an option to renew the lease at the expiry date or at dates mutually agreed between the Group and the landlord. The lease does not include contingent rental.

33. MATERIAL RELATED PARTY TRANSACTIONS

(a) Balances with Directors:

	2014 HK$'000	2013 HK$'000
Non-trade balances due to directors	**3,069**	5,131

(b) Key management personnel compensation

Key management personnel of the Group in 2014 and 2013 included all Directors and details of their emolument are disclosed in Note 14 to the consolidated financial statement.

	2014 HK$'000	2013 HK$'000
Fees, salaries, allowances and benefits in kind	**952**	927

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt which includes promissory note payable, bank borrowing, amount due to directors and amount due to a minority shareholder, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves and accumulated losses.

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

35. PARTICULARS OF SUBSIDIARIES

Particulars of the Group's subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group 2014	2013	Proportion of voting power held by the Company 2014	2013	Principal activities
Victory Group (BVI) Limited	British Virgin Islands /Hong Kong	Ordinary	HK$100,000	**100%**	100%	**100%**	100%	Investment holding
Victory Motors Centre Limited	Hong Kong	Ordinary Non-voting deferred	HK$1,000 HK$3,000,000	**100%**	100%	**100%**	100%	Investment holding
Victory Realty Limited	Hong Kong	Ordinary	HK$10,000	**100%**	100%	**100%**	100%	Inactive
Hong Kong Waho Development Limited	Hong Kong	Ordinary	HK$1,000,000	**100%**	100%	**100%**	100%	Property holding
Victory Capital Holdings Limited (formerly known as Waret Investment Limited) *(Note b)*	Hong Kong	Ordinary	HK$2	**100%**	100%	**100%**	100%	Money lending
Victory H-Tech Company Limited	Hong Kong	Ordinary	HK$100,000	**100%**	100%	**100%**	100%	Inactive
華利亞科技(深圳)有限公司	PRC	Paid up registered capital	HK$10,000,000	**100%**	100%	**100%**	100%	Inactive
Victory Credit Service Limited	Hong Kong	Ordinary	HK$10,000	**67%**	67%	**67%**	67%	Inactive
Wakit Motors Limited *(Note a)*	Hong Kong	Ordinary	HK$100,000	**60%**	60%	**60%**	60%	Trading in motor vehicles
Jumbo Chance	British Virgin Islands/ Hong Kong	Ordinary	US$1	**100%**	100%	**100%**	100%	Investment holding

35. PARTICULARS OF SUBSIDIARIES – *Continued*

Particulars of the Group's subsidiaries at the end of he reporting period are as follows: – *Continued*

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group 2014	2013	Proportion of voting power held by the Company 2014	2013	Principal activities
Sky Dragon	Hong Kong	Ordinary	HK$10,000	**100%**	100%	**100%**	100%	Trading and distribution of second hand left-hand-drive motor vehicles
Express Luck Limited	Hong Kong	Ordinary	HK$10,000	**100%**	100%	**100%**	100%	Inactive
AC Cars World Limited *(Note c)*	Hong Kong	Ordinary	HK$10,000	**50%**	50%	**50%**	50%	Trading in motor vehicles

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

Notes:

(a) The company was incorporated on 30 October 2013 and commenced business operation during the year ended 31 December 2013.

(b) The company has changed its name from Waret Investment Limited to Victory Capital Holdings Limited with effective on 10 July 2013. In addition, the company also changed its principal activity to money lending during the year ended 31 December 2013 and commenced business during the year ended 31 December 2014.

(c) The company was incorporated on 20 December 2013 but not yet commenced business up to the report date.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**146**	297
Investment in subsidiaries	a	**37,562**	38,584
		37,708	38,881
CURRENT ASSETS			
Prepayments		**45**	1
Bank balances and cash		**5,500**	11,916
		5,545	11,917
CURRENT LIABILITIES			
Other payables and accruals		**718**	777
Amounts due to directors		**208**	2,274
Amounts due to subsidiaries	a	**13**	15
Promissory note payable		**–**	2,857
		939	5,923
NET CURRENT ASSETS		**4,606**	5,994
TOTAL ASSETS LESS CURRENT LIABILITIES		**42,314**	44,875
CAPITAL AND RESERVES			
Share capital		**859**	859
Reserves	b	**41,455**	44,016
TOTAL EQUITY		**42,314**	44,875

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *Continued*

Notes:

(a) Investment in subsidiaries

	2014 **HK$'000**	2013 HK$'000
Investments at cost		
Unlisted shares	**76,316**	76,316
Less: Accumulated provision for impairment	**(76,316)**	(76,316)
	–	–
Amounts due from subsidiaries within one year		
Interest bearing at 4% per annum (2013: 4%)	**19,936**	8,718
Non-interest bearing	**150,749**	163,221
	170,685	171,939
Less: Accumulated provision for impairment	**(133,123)**	(133,355)
	37,562	38,584
Amounts due to subsidiaries within one year		
Non-interest bearing	**13**	15

The amounts due from/to subsidiaries are unsecured and repayable on demand.

(b) Reserves

	Share premium HK$'000	**Contributed surplus** HK$'000 *(Note)*	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2013	158,099	64,809	(191,439)	31,469
Profit for the year, representing total comprehensive income for the year	–	–	12,547	12,547
At 31 December 2013	158,099	64,809	(178,892)	44,016
Loss for the year, representing total comprehensive expense for the year	–	–	(2,561)	(2,561)
At 31 December 2014	**158,099**	**64,809**	**(181,453)**	**41,455**

Note:

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

Summary Financial Information

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**30,216**	29,963	71,735	–	–
(Loss) profit before tax	**(22,495)**	(29,812)	38,784	(6,330)	(6,492)
Income tax expense	**(52)**	–	–	–	–
(Loss) profit for the year	**(22,547)**	(29,812)	38,784	(6,330)	(6,492)
(Loss) profit attributable to					
Owners of the Company	**(21,967)**	(29,796)	38,791	(6,330)	(6,492)
Non-controlling interests	**(580)**	(16)	(7)	–	–
	(22,547)	(29,812)	38,784	(6,330)	(6,492)

ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**18,088**	25,231	46,567	15,077	15,511
Current assets	**71,709**	87,303	106,432	456	458
Current liabilities	**(17,295)**	(17,485)	(24,938)	(38,363)	(32,469)
Net current assets (liabilities)	**54,414**	69,818	81,494	(37,907)	(32,011)
Total assets less current liabilities	**72,502**	95,049	128,061	(22,830)	(16,500)
Non-current liabilities	**–**	–	(3,245)	–	–
Net assets (liabilities)	**72,502**	95,049	124,816	(22,830)	(16,500)