VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 1139)

2017
Annual Report

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)

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

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
11th Floor, The Center
99 Queen's Road Central
Central
Hong Kong

AUDITORS

Asian Alliance (HK) CPA 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
Tsim Sha Tsui East
Kowloon
Hong Kong

STOCK CODE

1139

Profiles of Directors

EXECUTIVE DIRECTORS

Mr. Chan Chun Choi, aged 72, 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 31, 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 48, 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 49, 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 47, 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 was 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 had been a Senior Manager in a Solar Energy company and currently is 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 45, 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 a number of 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 2017 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 2017, the Group recorded a revenue of approximately HK$33,418,000 for the year (2016: HK$4,902,000). Net loss attributable to shareholders of the Company for the year was approximately HK$10,482,000 (2016: HK$12,177,000).

The Board did not recommend to pay any dividend for the year ended 31 December 2017 (2016: Nil).

BUSINESS REVIEW

The principal activities of the Group during the year were investment holding, trading of motor vehicles and money lending business. The primary market of the motor vehicles trading business was mainland China.

During the year, the global economic environment and the market growth in mainland China have begun to recover, the demand of new cars is rising up. The new "Measures for Administration of Automobile Sales"《汽車銷售管理辦法》 (the "New Measures") released by the Ministry of Commerce PRC effective on 1 July 2017 allows for the sales of motor vehicle by companies other than those authorised by the brand holder. Seizing this opportunity, the Group has commenced importing brand new motor vehicles to mainland China and the Board is optimistic about the outlook and prospect of this new car market in coming years.

With the implementation of the New Measures on 1 July 2017 which deregulated the market and created unprecedented potential demand for brand new motor vehicles from retailers in the PRC, the Group has shifted the focus of its Motor Vehicle Business from distribution of second hand cars to brand new cars. The Directors consider that the New Measures is a catalyst that propels the Group's Motor Vehicle Business in the coming future.

The trading in shares of the Company has been suspended since 23 January 2018. On 22 January 2018, the Company received a letter from the Listing (Review) Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") decided to place the Company into the first delisting stage under Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange, for a period of six months which will expire on 21 July 2018.

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.

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, 22 March 2018

RESULTS

The Group had revenue of approximately HK$33,418,000 (2016: HK$4,902,000) for the year ended 31 December 2017. Net loss attributable to owners of the Company for the year was approximately HK$10,482,000 (2016: HK$12,177,000).

BUSINESS REVIEW

The principal activities of the Group during the year were investment holding, trading of motor vehicles and money lending business. The primary market of the motor vehicles trading business was mainland China.

During the year, the global economic environment and the market growth in mainland China have begun to recover, the demand of new cars is rising up. The new "Measures for Administration of Automobile Sales"《汽車銷售管理辦法》(the "New Measures") released by the Ministry of Commerce PRC effective on 1 July 2017 allows for the sales of motor vehicle by companies other than those authorised by the brand holder. Seizing this opportunity, the Group has commenced importing brand new motor vehicles to mainland China and the Board is optimistic about the outlook and prospect of this new car market in coming years.

With the implementation of the New Measures on 1 July 2017 which deregulated the market and created unprecedented potential demand for brand new motor vehicles from retailers in the PRC, the Group has shifted the focus of its Motor Vehicle Business from distribution of second hand cars to brand new cars. The Directors consider that the New Measures is a catalyst that propels the Group's Motor Vehicle Business in the coming future.

Comparing to last financial year, the audited net loss for 2017 was slightly improved but still primarily caused by the weakness of business environment. It including increase of approximately HK$70,000 in finance costs, and decrease of approximately HK$1,112,000, HK$102,000, HK$599,000, HK$2,730,000 in gross profit, other income, selling and distribution expenses and administrative expenses 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 2017 was 1.91 (2016: 2.62). The gearing ratio resulting from a comparison of the total borrowings with total equity of the Group at 31 December 2017 was 0.42 (2016: 0.30), the borrowing at 31 December 2017 was HK$12,500,000 (2016: HK$12,000,000). Details of the Group's exposure to credit risk, liquidity risk, currency risk, interest rate risk and any related hedges are stated in note 5(b) to the consolidated financial statements.

At as 31 December 2017 the Group had loan and interest receivables amounted to approximately HK$2,500,000 (2016: HK$13,061,000), trade receivables amounted to approximately HK$17,699,000 (2016: Nil) and trade payables amounted to approximately HK$3,160,000 (2016: Nil). There had inventories amounted to approximately HK$4,504,000 as at 31 December 2017 (2016: HK$5,278,000).

As at 31 December 2017, the Group's net current assets amounted to approximately HK$16,830,000 (2016: HK$25,765,000) and net assets amounted to approximately HK$29,875,000 (2016: HK$40,668,000). At the same day, the Group's bank balances and cash amounted to approximately HK$3,216,000 (2016: HK$15,838,000). The bank borrowing at 31 December 2017 was HK$12,500,000 (2016: HK$12,000,000).

CHARGES ON ASSETS

As at 31 December 2017, the Group had pledged building and prepaid lease payments with an aggregate carrying amount of approximately HK$12,874,000 (2016: HK$13,303,000) to secure banking facilities and other borrowings granted to the Group. The bank borrowing at 31 December 2017 was HK$12,500,000 (2016: HK$12,000,000).

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment during the year ended 31 December 2017.

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 (CODM), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

Trading of motor vehicles	–	Trading and distribution of motor vehicles
Money lending	–	Provision of financing services

Geographical information

The Group's operations are located in Hong Kong and the PRC. All the non-current assets (excluding financial instruments) of the Group are located in Hong Kong.

Details of segment information are set out in note 7 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2017, the Group had a total of 11 (2016: 8) employees, of whom nine were based in Hong Kong and two were based in mainland China. 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$3,081,000 (2016: HK$2,435,000). 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 Hong Kong 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 Euro ("EUR"), United States Dollar ("USD") and Great British Pound ("GBP"). 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 EUR. 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 2017, neither the Group nor the Company had any significant contingent liabilities.

CAPITAL COMMITMENT

At 31 December 2017, neither the Group nor the Company had any significant capital commitment outstanding.

SUSPENSION OF TRADING

The trading in shares of the Company has been suspended since 23 January 2018. On 22 January 2018, the Company received a letter from the Listing (Review) Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") decided to place the Company into the first delisting stage under Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange, for a period of six months which will expire on 21 July 2018.

FUTURE OUTLOOK

The global economic environment and the market growth in mainland China have begun to recover, the demand of new cars is rising up. Seizing the opportunity of the new "Measures for Administration of Automobile Sales"《汽車銷售管理辦法》(the "New Measures") released by the Ministry of Commerce PRC effective on 1 July 2017 allows for the sales of motor vehicle by companies other than those authorised by the brand holder, the Group has commenced importing brand new motor vehicles to mainland China and the Board is optimistic about the outlook and prospect of this new car market in coming years. As for the Group's money lending business, the revenue generated from the money lending business remains stable.

With the implementation of the New Measures on 1 July 2017 which deregulated the market and created unprecedented potential demand for brand new motor vehicles from retailers in the PRC, the Group has shifted the focus of its Motor Vehicle Business from distribution of second hand cars to brand new cars. The Directors consider that the New Measures is a catalyst that propels the Group's Motor Vehicle Business in the coming future.

The New Measures abolished the requirement that motor vehicle retailers have to be authorised dealers of the brand holder and open up the new motor vehicle market to companies who were previously not authorised retailers of the brand holder. With the implementation of the New Measures on 1 July 2017 and the Directors, based on their experience and in-depth knowledge in the motor vehicle industry in the PRC, can foresee the opportunity for the Group to improve on its Motor Vehicles Business and has since been actively seeking for new business opportunities for the sale of new motor vehicles in the PRC.

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 Group 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 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year under review were investment holding, trading of motor vehicles and money lending business. During the year, the Group had revenue of approximately HK$33,418,000.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 50 to 111.

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 7 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for approximately 96.16% of the sales and the largest customer accounted for approximately 49.94% of sales for the year under review.

The Group's five largest suppliers accounted for approximately 100% of the purchases and the largest supplier accounted for approximately 97.95% 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 112. This summary is not part of the audited consolidated 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 16 and 17 to the consolidated financial statements respectively.

SUBSIDIARIES

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

BORROWINGS

Details of the Group's borrowings are set out in note 27 to the consolidated 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$1,500) and the contributions are charged to the income statement.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital 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 29 to 30 to the consolidated 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 *(Note)*	Other reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	158,099	710	(4)	(105,457)	53,348	(645)	52,703
Loss for the year, representing total comprehensive expense for the year	–	–	–	(12,177)	(12,177)	(717)	(12,894)
At 31 December 2016	158,099	710	(4)	(117,634)	41,171	(1,362)	39,809
Loss for the year, representing total comprehensive expense for the year	–	–		(10,482)	(10,482)	(311)	(10,793)
At 31 December 2017	**158,099**	**710**	**(4)**	**(128,116)**	**30,689**	**(1,673)**	**29,016**

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.

(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 37(b) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2017, 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 2017.

CONTINGENT LIABILITIES

At 31 December 2017, 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 2017.

RELATED PARTY TRANSACTIONS

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

EMPLOYEES

As at 31 December 2017, the Group had a total of 11 (2016: 8) employees, of whom nine were based in Hong Kong and two were based in mainland China. 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$3,081,000 (2016: HK$2,435,000). 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 Hong Kong 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.

CHARGES OF ASSETS

As at 31 December 2017, the Group had pledged building and prepaid lease payments with an aggregate carrying amount of approximately HK$12,874,000 (2016: HK$13,303,000) to secure banking facilities and other borrowings granted to the Group. The bank borrowing at 31 December 2017 was HK$12,500,000 (2016: HK$12,000,000).

PROPERTY VALUATION

A property valuation had been carried out by Roma Appraisals Limited, an independent professional valuer, in respect of the Group's land lease prepayment and building. The Group's land lease prepayment and building were valued at HK$29,620,000 and HK$2,380,000 respectively (2016: HK$25,670,000 and HK$2,530,000 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.

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, Mr. Chan Kingsley Chiu Yin 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 12 and 13 to the consolidated financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

All Directors had entered service contracts with the Company for an initial term of no more than 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 consolidated 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 a director 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 consolidated 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 30 to the consolidated 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)*	330,350,152	38.45 per cent
Lo So Wa Lucy *(Note a, b)*	330,350,152	38.45 per cent
Chan Kingsley Chiu Yin *(Note a)*	202,575,000	23.58 per cent

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

(b) Lo So Wa Lucy (formerly known as 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 Investment Limited, 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

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's 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 consolidated 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 consolidated financial statements of the Company for the year ended 31 December 2013 were audited by ZHONGLEI (HK) CPA Company Limited which was rebranded to Asian Alliance (HK) CPA Limited on 10 May 2016. 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 Asian Alliance (HK) CPA 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, 22 March 2018

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, six 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	6/6	1/1
Chan Kingsley Chiu Yin	6/6	1/1
Lo So Wa Lucy (formerly known as Lu Su Hua)	6/6	1/1
Ip Ka Keung	5/6	1/1
Lam King Hang	6/6	1/1
Cheung Man Fu	6/6	1/1

RE-ELECTION OF DIRECTORS

In accordance with clauses 87(1) of the Company's bye-laws, Mr. Chan Kingsley Chiu Yin 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 2017.

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.

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 2017 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 2017 audited consolidated 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 2017 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, five Audit Committee meetings were held and the attendance summary is as below:

Name of Director	**Number of attendance/Total**
Ip Ka Keung *(Chairman)*	5/5
Lam King Hang	5/5
Cheung Man Fu	5/5

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, four Remuneration Committee meetings were held and the attendance summary is as below:

Name of Director	**Number of attendance/Total**
Lam King Hang *(Chairman)*	3/4
Ip Ka Keung	2/4
Cheung Man Fu	3/4

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 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.

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 2017.

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 (2016: six) Directors were as follows:

	Fees 2017 HK$'000	Salaries, bonuses and allowances 2017 HK$'000	Waived fees 2017 HK$'000	Contributions to retirement benefit scheme 2017 HK$'000	Total 2017 HK$'000	Total 2016 HK$'000
Executive director and chief executive						
Mr. Chan Chun Choi *(Note)*	3,058	-	(2,708)	-	350	-
Executive directors						
Ms. Lo So Wa, Lucy	-	480	-	18	498	446
Mr. Chan Kingsley Chiu Yin	-	360	-	18	378	315
Sub-total	3,058	840	(2,708)	36	1,226	761
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	3,358	840	(2,708)	36	1,526	1,061

Note: Mr. Chan Chun Choi agreed to waive his emoluments of approximately HK$2,708,000 (2016: HK$6,500,000) for the year ended 31 December 2017.

The emoluments of the Directors fell within the following bands:

	2017 Number of Directors	2016 Number of Directors
Nil – HK$1,000,000	**6**	6

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 Nonexecutive 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, four Nomination Committee meetings were held and the attendance summary is as below:

Name of Director	Number of attendance/Total
Cheung Man Fu *(Chairman)*	3/4
Ip Ka Keung	2/4
Lam King Hang	3/4

AUDITOR'S REMUNERATION

During the financial year, fees paid or payable to Asian Alliance (HK) CPA Limited, the auditor of the Company (the "Auditor") for audit services was HK$480,000 and for non-audit service was HK$193,000.

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.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and objectives

The Board acknowledges that it is the responsibility of the Board for the maintenance of sound and effective risk management and internal control systems to safeguard the Shareholders' investment and the assets of the Group, maintain proper accounting records, and ensure the execution of business decisions with appropriate authority and compliance of the relevant laws and regulations. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Main features of the risk management and internal control systems

To ensure the efficient and effective operation of the business and operations, relevant internal control procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. These procedures are monitored and reviewed from time to time and updated where necessary.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the key processes of the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and

- Considers the impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritizes the risks by comparing the results of the risk assessment; and

- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;

- Revises the risk management strategies and internal control processes in case of any significant change of situation; and

- Report the results of risk monitoring to the management and the Board regularly.

The management has carried out periodic review of the procedures and the implementation of the risk management and internal control systems, including areas covered accounting, business and legal compliance.

The Board is responsible for implementing and reviewing the risk management and of internal control systems its effectiveness. The Board is also responsible for reviewing and considering the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function annually. The Group has engaged an independent professional adviser (the "Internal Control Adviser") to carry out internal audit functions by conducting an annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2017. Such review is conducted annually. The scope of review included revenue and receipt cycle, property, plant and equipment cycle, and financial reporting cycle for one of our operating subsidiary. Internal Control Adviser has reported major findings and areas for improvement to the Company. All recommendations from Internal Control Adviser would be followed up closely by the management of the Group to ensure that they are implemented within a reasonable period of time. The Group therefore considered that its risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's risk management and internal control systems are inadequate.

Environmental, Social and Governance Report

About this ESG report

Victory Group Limited ("Victory" or the "Company" or "We") 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 Company and its subsidiaries (collectively known as the "Group") was principally engaged in investment holding, trading of motor vehicles and money lending business.

This Environmental, Social and Governance Report (the "ESG Report") is to highlight our approaches and strategies in pursuit of sustainable development during the period from 1 January 2017 to 31 December 2017 (the "Reporting Period"). For details of our corporate governance, please refer to the "Corporate Governance Report" included on pages 18 to 31 of this annual report.

Unless otherwise stated, this ESG Report mainly covers the sustainability performance and initiatives of our Hong Kong office, trading of motor vehicles and money lending business. The content is in compliance with the applicable disclosure requirements of the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the"Listing Rules").

We welcome your valuable comments and suggestions in relation to this ESG Report and our sustainability performance. Your feedback on the ESG Report and our sustainability performance can be sent to info@1139vgl.com.

About Victory

Our core business during the Reporting Period is principally engaged in the trading of motor vehicles and money lending business in Hong Kong. The customers for trading of motor vehicles are mainly individuals and sales desks from Hong Kong and the PRC. Generally, we source motor vehicles from overseas markets such as the US and Europe. The motor vehicles traded by us are principally luxurious passenger vehicles such as sedans, sport utility vehicles and supercars manufactured by premium brands. We operated the trading of motor vehicles business with a showroom at Kam Tin under the business name of "Car Paradise". The website is http://www.mycarshk.com/.

Our mission

To (i) have a high turnover of vehicles for mid-market vehicles; and (ii) increase sales volume of ultra luxury vehicles or high performance supercars with high profit margin.

Our approach to sustainability development

While promoting our business growth, we are concerned about the environmental and social responsibilities in the business operation. To be accountable to the stakeholders, we endeavored to minimize the influence to environment, be aware of the employee well-being and contribute more to the community.

Listening to our stakeholders

We believe that understanding the views of our stakeholders lays a solid foundation to the long-term growth and success of the Group. We develop multiple channels to a broad spectrum of stakeholders in order to provide them with the opportunity to express their views on our sustainability performance and future strategies. To reinforce mutual trust and respect, we are committed to maintaining enduring communication channels, both formally and informally, with stakeholders to enable us to better shape our business strategies in order to respond to their needs and expectations, anticipate risks and strengthen key relationships. We have identified employees, customers, business partners, shareholders, suppliers, government and the community at large as our key stakeholder groups. The information collected through different communication processes serves as an underlying basis for the structure of this ESG Report.

Environmental performance

The Group is principally engaged in the trading of motor vehicles and money lending business whereas its nature does not involve any direct production procedures and therefore there is no significant impact on the environment and no direct emission of exhaust gas and greenhouse gas, discharges into land and production of hazardous waste, etc. Nevertheless, we still strive to minimize the adverse impact of our businesses on the environment through enhancing operational efficiency and implementing eco-friendly measures.

We were not aware of any non-compliance with relevant laws and regulations that have a significant impact on our Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste for the Reporting Period. In order to achieve the balance between the business development and the environmental protection, we have implemented several measures as detailed below to enhance the environmental awareness of all Group's members.

Emission and use of resources

Our greenhouse gas ("GHG") emissions are mainly generated from the use of purchased electricity. The electricity purchased is for maintaining daily showroom and office operations including lighting, office equipment and other miscellaneous items.

Emission figures

GHG emission in total (Tonnes of CO_2e)		
GHG emission (Scope 1)[1]	N/A	Tonnes
GHG emission (Scope 2)[2]	18.31	Tonnes
GHG emission per employee	1.66	Tonnes/employee
Energy consumption in total (kWh)	33,910.00	kWh
Energy consumption per employee	3,082.73	kWh/employee

Notes:

1 The data does not include fugitive emission. The source of fugitive emission includes all intentional and unintentional greenhouse gases released by the equipment and the system.

2 The classification of scope of GHG Emissions follows the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition)" issued by Electrical and Mechanical Services Department and Environmental Protection Department.

In order to reduce GHG emissions, the following key measures have been implemented:

- Switch off unnecessary lighting and energy consumption equipment (eg: PC, computer) while not in use.
- Deploy natural light as much as possible.
- Deploy LED lighting.
- Clean the air filter of air-conditioners regularly to improve cool air flow efficiency.
- Put the computer to sleep instead of using a screen saver.
- In order to reduce the carbon footprint from flight caused, the member of the Group are suggested to conduct video conferencing or use emails instead of taking overseas business trips, if possible.

Waste management

Our operations did not consume any packing materials nor generate any hazardous wastes. Paper waste was our major non-hazardous wastes and approximately 0.02 tonnes of paper has been consumed, with intensity of 0.002 tonnes/employee, during the Reporting Period.

For environmental protection, the following key measures have been implemented to reduce the use of paper:

- Adopt an electronic system for filling and documentation.
- Promote electronic communications for internal use.
- Sending email is suggested instead of letters or fax when possible.
- Promote a "think before you copy" attitude.
- Encourage our employee to use both sides of the paper for printing and copying.
- Allow share of documents with co-workers when possible to minimize the use of paper.
- Arrange recycling company to collect toner cartridges for recycling.

Water use management

Water usage is arising from cleaning of motor vehicles, sanitation, water tap and drinking water. During the Reporting Period, water consumption by our showroom at Kam Tin was 538.00 m^3, with water intensity of 48.91 m^3/employee.

For the leased office premises, the water supply and discharge are solely controlled by building management which considered that provision of water usage data to individual occupant not feasible.

To avoid unnecessary water consumption from daily operation, we promote staff behavior by posting saving slogans at eye levels of occupied areas.

With the implementation of the measures above, we believe the objectives of saving energy, reducing wastes and preserving the environment can be achieved. We will continue to look for opportunities to reduce further emissions and wastes on an ongoing basis in order to minimize our impact of activities on the environment and natural resources.

Our people

We believed that human resources is one of the key to success in business operation. Our key management has had over 20 years of experience in the car trading industry. Their extensive experience allows them to make timely buying decisions that are in line with the latest market trends which in turn helps lower stock turnover. In addition, we also possessed an experienced sales team, some of which have been working in the industry for over 15 years. All of our people are valuable assets to us.

We advocate work life balance and pays close attention to employee's total well-being. We aims to provide a safe and fair working environment for all members so as to work with a peaceful mind.

We committed to provide a work environment free from all forms of discrimination on the basis of age, race, gender, nationality, disability or sexual preference. We are also committed to hiring employees without taking into consideration of nationality, gender, age, family status and other facts irrelevant to competencies and qualifications of the candidates during the recruitment process. Our staff handbook sets out the standard working hours, paid leaves, rest periods, and dismissal policy to safeguard the rights of our people.

The relevant laws and regulations that have significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare during the Reporting Period included Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong) and Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong). We were not aware of any non-compliance with such laws and regulations during the Reporting Period.

Employee remuneration package

The remuneration package of our employees was linked to the financial results of the Group as well as the performance of individual staff. We understand that employees are our most valuable assets and we strive to provide comprehensive benefits and safeguards to our employees. For example, we provide five-day work week arrangement, ensure our salary structure is fair and competitive and review annually.

Whenever an employee resigns or gets laid off, designated human resource personnel should perform exit-interview to find out the underlying reasons of departure or dismissal, and to ensure full compliance with the relevant employee laws and regulations.

Health and safety

We stress the importance of workplace health and safety by the reason that employee's well-being is our main concern. We adhere to Occupational Safety And Health Ordinance (Chapter 509 of the laws of Hong Kong) and other applicable laws and regulations to provide a safe and healthy workplace in order to protect our employees from occupational hazards.

We are committed to achieve this goal by implementing the following key measures:

- Providing and maintaining a safe and healthy environment in all workplaces
- Providing sufficient first-aid kits at workplaces
- Attending regular rescue, fire and evacuation drills and fire or explosion emergency plan
- Cleaning up spills and pick up debris immediately after occurring
- Create smoke-free workplaces

Additionally, we have also provided employees' compensation insurance as required under the relevant laws and regulations. If any accidents or injuries occur, we would provide compensation and carry out investigation to prevent reoccurrence.

Development and training

The skills, knowledge and capabilities of our employees are the pillars of the sustainable development of the Group. We encouraged our directors and employees to attend outside seminars to enrich their knowledge in discharging their duties. During the Reporting Period, we have attended several training, for example: ESG reporting, listing rules updates, roles and responsibilities for directors and key management…etc.

Labour standards

We strictly emphasize on prohibition of engaging child labour and forced labour. Regarding to the Employment of Children Regulations, children aged under 15 should not be employed in all economic sectors. As prevention, Human Resources Department would verify the personal information, including age, of the applicants by checking their identity documents during the hiring process. We were not aware of any non-compliance with relevant rules and regulations on preventing child or forced labour during the Reporting Period.

Supply chain management

In general, we purchase motor vehicles from different overseas suppliers based on the perceived market demand of the target customers for various car models. We will also base on specific requests from a potential customer on a specific car model, color and other configurations to contact our overseas suppliers to try to procure the specific motor vehicle.

One of our major contributing factors of the success is maintaining strong relationship with our overseas car agents. In particular, we have had business relationship with our US and Germany agents since 1998 with over 19 years of active relationship. Such relationship ensures that we are able to secure a steady supply of in-demand motor vehicles for sales to our customers.

Most of our motor vehicles are sourced from US, Germany, Italy, France and other European countries. Some of our motor vehicles were purchased through our US agent in the car auctions. These car auctions are generally not available to the public and are only reserved for the car agent or trader. In addition, our car agent based in Germany is engaged to principally source motor vehicles from the local car dealers in European countries including Germany, Italy and France.

We also commit to assure the safety and quality of our cars to our customers. Before the completion of car purchase through our overseas agents, our agents are responsible to carry out a thorough inspection of the motor vehicle to ensure it is free from any material defects, including compliance with the exhaust emission standards and roadworthiness inspection. Our overseas agents would purchase the vehicles only after the inspection is satisfactorily completed.

To minimize shipping cost and reduce emission, we would request our overseas agents to aggregate several cars and/or share a container with other overseas car exporters.

Green procurements

For our Hong Kong office, we adopted green procurements policy which purchase products and services that causes minimal impact to the environment. For the items commonly used for daily operation, we prefer refillable or reusable products instead of single-use disposable items. Moreover, we choose to purchase products with improved recyclability, higher recycled content, reduced packaging, greater durability and greater energy efficiency to show our support to eco-friendly living.

Warranty and aftersales services

We consider that providing caring and dependable aftersales and maintenance services to our customers is a key successful factor to the sustainability of our automobile business. We serve our customers through different communication channels like customer hotline and internet collaboration platform. In expanding our PRC market, we carefully select our PRC distribution partners through our distributor assessment process to assure their profession and financial sustainability. Our authorized distributors are committed to continuously source and ally with different local automobile mechanic shops to provide extensive range of aftersales and maintenance services to our customers.

Personal data privacy

We attach great importance to the protection of our employees, customers and business partners and other identifiable individuals' information security, and requires all subsidiaries to protect those information security strictly complying with the relevant requirements. We adhere to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and all collected customer information will only be used for business purposes and will be kept confidential.

During the Reporting Period, the Group has had no non-compliance cases regarding violations of the Personal Data (Privacy) Ordinance and we were not aware of any non-compliance with relevant rules and regulations during the Reporting Period.

The Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on our Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Anti-corruption

We commit to stringent compliance with the Prevention of Bribery Ordinance ("POBO") enforced by the Independent Commission Against Corruption ("ICAC") in order to maintain a fair and just society. As the cornerstone of our corporate culture, we attach great emphasis to maintaining the highest standards of integrity and honesty. We adopt our zero-tolerance policy for misconduct and maintain our well-defined anti-bribery policy and whistle-blowing policy and channels for redress. We also request our employees to conform with our requirements and policies on provisions for conflicts of interest, bribery, anti-corruption, privacy and confidentiality and corruption and equal opportunities, extortion, fraud and money laundering set out in staff handbook. We have no hesitation to adopt disciplinary actions upon any proven misconduct case. During the Reporting Period, no case in relation to bribery, extortion, fraud and money laundering was reported.

The Group was not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the Group relating to bribery, extortion, fraud and money laundering during the Reporting Period.

Community investment

The Group is pleasure to provide support to needy and underprivileged people within the society. Our management strive to encourage employees to improve the society through community involvement, both management and employees of the Company have been eager to take their own initiatives in helping and supporting the local communities and neighbours.

Index to the ESG Reporting Guide

A. Environmental		Chapter/Disclosure	Page
Aspect A1: Emissions			
General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		• Environmental performance • Emission and use of resources • Waste management • Water use management	33–35
KPI A1.1	The types of emissions and respective emissions data.	• Emission figures	33
KPI A1.2	Greenhouse gas emissions in total and where appropriate, intensity.	• Emission figures	33
KPI A1.3	Total hazardous waste produced and where appropriate, intensity.	Our operations did not generate hazardous waste	–
KPI A1.4	Total non-hazardous waste produced and where appropriate, intensity.	• Waste management	34
KPI A1.5	Description of measures to mitigate emissions and results achieved.	• Environmental performance • Emission and use of resources • Waste management • Water use management	33–35
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	• Waste management	34

Aspect A2: Use of Resources

General Disclosure			
Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		• Environmental performance • Emission and use of resources • Waste management • Water use management	33–35
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	• Environmental performance • Emission figures	33
KPI A2.2	Water consumption in total and intensity.	• Water use management	35
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	• Environmental performance • Emission figures	33
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	• Water use management	35
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	Our operations did not consume packing materials	–

Aspect A3: The Environment and Natural Resources

General Disclosure			
Policies on minimising the issuer's significant impact on the environment and natural resources.		• Our operations did not have significant impact on the environmental and natural resources.	–
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	• Our operations did not have significant impact on the environmental and natural resources.	–

B. Social

Employment and Labour Practices

Aspect B1: Employment

General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		• Our people • Employee remuneration package	35–36
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Not disclosed for this Reporting Period	–
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed for this Reporting Period	–

Aspect B2: Health and Safety

General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		• Health and safety	36
KPI B2.1	Number and rate of work-related fatalities.	Not disclosed for this Reporting Period	–
KPI B2.2	Lost days due to work injury.	Not disclosed for this Reporting Period	–
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Not disclosed for this Reporting Period	–

Aspect B3: Development and Training

General Disclosure			
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		• Development and training	37
KPI B3.1	The percentage of employees trained by gender and employee category.	Not disclosed for this Reporting Period	–
KPI B3.2	The average training hours completed per employee by gender and employee category.	Not disclosed for this Reporting Period	–

Aspect B4: Labour Standards

General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		• Labour standards	37
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Not disclosed for this Reporting Period	–
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Not disclosed for this Reporting Period	–

Operating Practices

Aspect B5: Supply Chain Management

General Disclosure			
Policies on managing environmental and social risks of the supply chain.		• Supply chain management • Green procurements	37
KPI B5.1	Number of suppliers by geographical region.	Not disclosed for this Reporting Period	–
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Not disclosed for this Reporting Period	–

Aspect B6: Product Responsibility

General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		• Supply chain management • Warranty and after sales services • Personal data privacy	37–38
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not disclosed for this Reporting Period	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not disclosed for this Reporting Period	–
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not disclosed for this Reporting Period	–
KPI B6.4	Description of quality assurance process and recall procedures.	• Warranty and after sales services	38
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	• Personal data privacy	38

Aspect B7: Anti-corruption

General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		• Anti-corruption	38
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Not disclosed for this Reporting Period	–
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Not disclosed for this Reporting Period	–

Community

Aspect B8: Community Investment

General Disclosure			
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		• Community investment	38
KPI B8.1	Focus areas of contribution.	Not disclosed for this Reporting Period	–
KPI B8.2	Resources contributed to the focus area.	Not disclosed for this Reporting Period	–

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

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

OPINION

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 50 to 111, which comprise the consolidated statement of financial position as at 31 December 2017, and the 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment assessment of trade receivables

The Group has been engaged in trading of motor vehicles business in Hong Kong. As disclosed in Note 19 to the consolidated financial statements, as at 31 December 2017, the Group had trade receivables of approximately HK$17,699,000, and the amounts were past due but not yet impaired. For the year ended 31 December 2017, no impairment loss has been recognised in respect of trade receivables.

KEY AUDIT MATTERS – Continued

1. Impairment assessment of trade receivables – Continued

The impairment assessment of trade receivables requires significant judgement. The management of the Company assess the recoverability of the trade receivables based on the creditworthiness including any default or delay in payments records, subsequent settlement made and the aging analysis of the trade receivables. Accordingly, we have identified the impairment assessment of trade receivables as a key audit matter.

How our audit addressed the key audit matter

Our major audit procedures to address this key audit matter included:

- We discussed with the management of the Company its impairment policy (i.e. when and how impairment was determined) and assessed whether sufficient impairment losses recognised, taking into account the specific facts and circumstances provided to us.
- We checked the aging of trade receivables at year end and discussed with the management of the Company on their assessment of the recoverability of trade receivables.
- We examined the subsequent settlement of trade receivables by tracing to bank receipts.

2. Net realisable value assessment of inventories

The Group has been engaged in trading of motor vehicles business in Hong Kong. As disclosed in Note 18 to the consolidated financial statements, as at 31 December 2017, the carrying amount of the Group's inventories was approximately HK$4,504,000.

The impairment assessment of the inventories requires significant judgement from the management of the Company in determining the net realisable value of its inventories. Accordingly, we have identified the impairment assessment of inventories as a key audit matter.

How our audit addressed the key audit matter

Our major audit procedures to address this key audit matter included:

- We evaluated the appropriateness of the Group's accounting policy on the valuation of its inventories.
- Further, we looked out for slow moving inventories during our attendance of physical inventory count at year end.
- We checked and analysed the ageing profile of the inventories by verifying to the underlying suppliers' invoices.
- We tested the unit cost of the inventories and checked management's assessment of inventories to state that at the lower of cost and net realisable value by comparing the carrying amount of the inventory items to their recent selling prices.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Chan Chi Kei Ronald
Practising Certificate Number: P04255

Suites 313–316, 3/F
Shui On Centre
6–8 Harbour Road
Wan Chai
Hong Kong

22 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	**33,418**	4,902
Interest income		**1,545**	3,219
Others		**31,873**	1,683
Cost of sales		**(31,204)**	(1,576)
Gross profit		**2,214**	3,326
Other income	8	**2**	104
Selling and distribution expenses		**(1,205)**	(1,804)
Administrative expenses		**(11,741)**	(14,471)
Share of loss of a joint venture	21	**–**	(8)
Operating loss		**(10,730)**	(12,853)
Finance costs	9	**(83)**	(13)
Loss before tax		**(10,813)**	(12,866)
Income tax credit (expense)	10	**20**	(28)
Loss and total comprehensive expense for the year	11	**(10,793)**	(12,894)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(10,482)**	(12,177)
Non-controlling interests		**(311)**	(717)
		(10,793)	(12,894)
Loss per share	15		
Basic (HK cents)		**(1.22)**	(1.42)
Diluted (HK cents)		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,500**	1,513
Prepaid lease payment – non-current portion	17	**11,043**	11,424
Loan and interest receivables – non-current portion	20	**–**	1,464
Interest in a joint venture	21	**502**	502
		13,045	14,903
CURRENT ASSETS			
Inventories	18	**4,504**	5,278
Trade receivables	19	**17,699**	–
Loan and interest receivables – current portion	20	**2,500**	11,597
Prepayment, deposits and other receivables	22	**6,936**	8,544
Amount due from a minority shareholder	26	**40**	40
Prepaid lease payment – current portion	17	**381**	381
Tax recoverable		**78**	–
Bank balances and cash	23	**3,216**	15,838
		35,354	41,678
CURRENT LIABILITIES			
Trade payables	24	**3,160**	–
Other payables and accruals	25	**2,856**	3,582
Deposit received		**–**	5
Amount due to a director	26	**8**	27
Bank borrowing	27	**12,500**	12,000
Tax payable		**–**	299
		18,524	15,913
NET CURRENT ASSETS		**16,830**	25,765
NET ASSETS		**29,875**	40,668

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CAPITAL AND RESERVES			
Share capital	29	**859**	859
Reserves		**30,689**	41,171
Equity attributable to owners of the Company		**31,548**	42,030
Non-controlling interests		**(1,673)**	(1,362)
TOTAL EQUITY		**29,875**	40,668

The consolidated financial statements on pages 50 to 111 were approved and authorised for issue by the board of directors on 22 March 2018 and are signed on its behalf by:

Chan Chun Choi
DIRECTOR

Lo So Wa Lucy
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000 *(Note)*	**Other reserve** HK$'000	**Accumulated losses** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2016	859	158,099	710	(4)	(105,457)	54,207	(645)	53,562
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(12,177)	(12,177)	(717)	(12,894)
At 31 December 2016	859	158,099	710	(4)	(117,634)	42,030	(1,362)	40,668
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(10,482)	(10,482)	(311)	(10,793)
At 31 December 2017	**859**	**158,099**	**710**	**(4)**	**(128,116)**	**31,548**	**(1,673)**	**29,875**

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 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(10,813)**	(12,866)
Adjustments for:		
Bank interest income	**(1)**	(2)
Interest expenses	**83**	13
Depreciation of property, plant and equipment	**63**	750
Amortisation of prepaid lease payment	**381**	381
Write-down of inventories	**774**	1,788
Share of loss of a joint venture	**–**	8
Operating cash flows before movements in working capital	**(9,513)**	(9,928)
Decrease (increase) in loan and interest receivables	**10,561**	(2,197)
Increase in trade receivables	**(17,699)**	–
Decrease in prepayment, deposits and other receivables	**1,608**	7,465
Increase in trade payables	**3,160**	–
(Decrease) increase in other payables and accruals	**(726)**	975
Decrease in deposit received	**(5)**	–
Decrease in amount due to a director	**(19)**	(1,976)
Cash used in operations	**(12,633)**	(5,661)
Income tax paid	**(357)**	(41)
NET CASH USED IN OPERATING ACTIVITIES	**(12,990)**	(5,702)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(50)**	(12)
Bank interest received	**1**	2
Net cash outflow on establishment of a joint venture	**–**	(510)
NET CASH USED IN INVESTING ACTIVITIES	**(49)**	(520)
FINANCING ACTIVITIES		
New borrowing raised	**12,500**	12,000
Repayment of borrowing	**(12,000)**	–
Interest paid	**(83)**	(13)
NET CASH FROM FINANCING ACTIVITIES	**417**	11,987
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(12,622)**	5,765
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**15,838**	10,073
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**3,216**	15,838

1. GENERAL INFORMATION

Victory Group Limited (the "Company") is 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 parent of the Company is Winsley Investment Limited which is incorporated in Hong Kong. Its ultimate controlling party is Mr. Chan Chun Choi, who is also the managing director and chief executive officer of the Company.

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.

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 2017, 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")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to Hong Kong Accounting Standard ("HKAS") 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycles

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

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows;(ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 36 to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 36 to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Interpretation ("Int") 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycles[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

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

New and revised HKFRSs in issued but not yet effective – Continued

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the directors of the Company (the "Directors") anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

– all recognised financial assets that are within the scope of HKFRS 9 are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at 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;

– 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Debt instruments classified as loan receivables carried at amortised cost: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

- All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

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

New and revised HKFRSs in issued but not yet effective – Continued

HKFRS 9 Financial Instruments – Continued

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets as 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

New and revised HKFRSs in issued but not yet effective – Continued

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$270,000 as disclosed in Note 32 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

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 (including structured 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.

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 and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item 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. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.2 Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.2 Investments in joint ventures – Continued

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/ partial disposal of the relevant joint venture.

The Group continues to use the equity method where as investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed.

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. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.4 Leasing

All leases are classified as operating leases.

The Group as lessee

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

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

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3.5 Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.5 Foreign currencies – Continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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 the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3.6 Retirement benefit costs and termination benefits

(a) Retirement benefit costs

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

(b) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3.7 Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax 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 difference 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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.7 Taxation – Continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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 rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.8 Property, plant and equipment

Property, plant and equipment including buildings and leasehold land 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 estimated 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. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.9 Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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 relevant 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 asset individually, 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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

3. 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 instrument.

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

Financial assets

Financial assets are classified as 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, loan and interest receivables, deposits and other receivables, amount due from a minority shareholder and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.11 Financial instruments – Continued

Financial assets – Continued

Loans and receivables – Continued

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 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 financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.11 Financial instruments – Continued

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of 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.

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.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and accruals, amount due to a director and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset 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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.11 Financial instruments – Continued

Derecognition – Continued

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

3.12 Borrowing costs

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

3.13 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, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of Victory Investment Holdings Limited as a joint venture

Victory Investment Holdings Limited is a limited liability company incorporated in the Hong Kong whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Victory Investment Holdings Limited is classified as a joint venture of the Group. For details, please refer to Note 21 to the consolidated financial statements.

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.

(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 higher of the fair value less costs of disposal and the value in use. The Directors appointed an independent qualified professional valuer, 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 2017 and 2016.

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

Key sources of estimation uncertainty – Continued

(c) *Estimated impairment of trade receivables*

The Group determines the provision for impairment of trade receivables based on the assessment of the collectability of receivables from each counterparty. In making the judgment, management considers a wide range of factors such as results of follow-up procedures, counterparty payment trends including subsequent payments and customers' financial positions. If the financial conditions of the counterparty of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

During the year ended 31 December 2017, no impairment loss in respect of trade receivables (2016: Nil) had been recognised in the consolidated statement of profit or loss and other comprehensive income.

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

The Group establishes, through charges against the consolidated statement of profit or loss and other comprehensive income, 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 2017, no impairment loss in respect of loan and interest receivables (2016: Nil) had been recognised in the consolidated statement of profit or loss and other comprehensive income.

(e) *Estimated write-down of inventories*

The Group reviews an aging analysis at the end of the reporting period, and determines the write-down of inventories by reference to the current market conditions of the inventories. During the year ended 31 December 2017, write-down of inventories of approximately HK$774,000 (2016: HK$1,788,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments:

(i) Financial assets

	2017 HK$'000	2016 HK$'000
Loans and receivables		
Trade receivables	**17,699**	–
Loan and interest receivables	**2,500**	13,061
Deposits and other receivables	**3,708**	6,523
Amount due from a minority shareholder	**40**	40
Bank balances and cash	**3,216**	15,838
	27,163	35,462

(ii) Financial liabilities

	2017 HK$'000	2016 HK$'000
Other financial liabilities at amortised cost		
Trade payables	**3,160**	–
Other payables and accruals	**2,856**	3,582
Amount due to a director	**8**	27
Bank borrowing	**12,500**	12,000
	18,524	15,609

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, loan and interest receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and accruals, amount due from/to a director/a minority shareholder 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.

Market risk

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

(i) Currency risk

The Group's functional currency is HK$. The carrying amounts of the Group's foreign currency denominated monetary assets at 31 December 2017 and 31 December 2016 are as follows:

	Assets	
	2017	2016
	HK$'000	HK$'000
Euro ("EUR")	**4,355**	–
United State Dollars ("USD")	**2,493**	–
British Pound ("GBP")	**755**	**755**

The Group has transactional currency exposures, primarily with respect to HK$. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. Management has set up a policy to require the Group to manage their foreign exchange risk against their functional currency.

Sensitivity analysis

The Group is mainly exposed to foreign currency risk of EUR and GBP.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against the EUR and GBP. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding EUR and GBP denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The analysis illustrates the impact for a 5% strengthening of HK$ against the EUR and GBP resulted increase in post-tax loss for the year. For a 5% weakening of HK$ against the EUR and GBP, there would be an equal and opposite impact on the post-tax loss for the year.

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Market risk – Continued

(i) Currency risk – Continued

Sensitivity analysis – Continued

	2017	2016
	HK$'000	HK$'000
Increase in post-tax in loss for the year		
EUR	**218**	–
GBP	**38**	38

No sensitivity analysis is presented for foreign currency risk arising from USD as the Directors consider that the effect is insignificant under the linked exchange rate system between HK$ and USD.

(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 27 to the consolidated financial statements. 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. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable rate bank balance is insignificant.

	Increase/ decrease in interest rate (basis point)	**Increase/ decrease in post-tax loss** HK$'000
2017	**100**	**125**
2016	100	120

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

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 trade receivables, 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.

The Group has concentration of credit risk in trading of motor vehicles segment as 100% (2016: Nil) of the total trade receivables was due from the Group's three customers.

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 2017 and 2016, all loan and interest receivables from customers are secured by properties situated in Hong Kong. The Group closely monitors the ownership and value of the collaterals throughout the loan period. Further, as at 31 December 2017, 100% of the total loan and interest receivables was due from one customer for the Group's money lending business. As at 31 December 2016, approximately 36% of the total loan and interest receivables from customers were due from the largest customer and 94% of the total loan and interest receivables as at 31 December 2016 was due from the Group's five largest customers for the Group's money lending business (2016: 100%).

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 trade receivables, 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.

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk – Continued

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and loan and interest receivables from customers are set out in Notes 19 and 20 to the consolidated financial statements.

Liquidity risk

Ultimate responsibility for liquidity risk management 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.

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 floating rate, the undiscounted amount is derived from interest rate 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
2017				
Trade payables	N/A	3,160	3,160	3,160
Other payables and accruals	N/A	2,856	2,856	2,856
Amount due to a director	N/A	8	8	8
Bank borrowing	4%	12,542	12,542	12,500
		18,566	18,566	18,524

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

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
2016				
Other payables and accruals	N/A	3,582	3,582	3,582
Amount due to a director	N/A	27	27	27
Bank borrowing	3.5%	12,005	12,005	12,000
		15,614	15,614	15,609

Fair value measurements of financial instruments

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

6. REVENUE

Revenue 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:

	2017 HK$'000	2016 HK$'000
Trading of motor vehicles	**31,873**	1,683
Interest income from provision of loan financing	**1,545**	3,219
	33,418	4,902

7. SEGMENT INFORMATION

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

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

Trading of motor vehicles	–	Trading and distribution of motor vehicles
Money lending	–	Provision of financing services

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 2017

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Revenue	31,873	1,545	33,418
Segment results	(6,173)	1,032	(5,141)
Unallocated corporate income			2
Unallocated corporate expenses			(5,591)
Finance costs			(83)
Loss before tax			(10,813)

7. SEGMENT INFORMATION – Continued

Segment revenue and results – Continued

For the year ended 31 December 2016

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Revenue	1,683	3,219	4,902
Segment results	(10,933)	2,601	(8,332)
Unallocated corporate income			104
Unallocated corporate expenses			(4,617)
Finance costs			(13)
Share of loss of a joint venture			(8)
Loss before tax			(12,866)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years ended 31 December 2017 and 2016.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represents the profit earned by (loss from) each segment without allocation of central administration costs including directors' emoluments, other income, share of loss of a joint venture and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

7. 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 2017

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Segment assets	**28,877**	**2,586**	**31,463**
Unallocated corporate assets			**16,936**
Consolidated assets			**48,399**
Segment liabilities	**5,110**	**–**	**5,110**
Unallocated corporate liabilities			**13,414**
Consolidated liabilities			**18,524**

At 31 December 2016

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Segment assets	9,890	16,239	26,129
Unallocated corporate assets			30,452
Consolidated assets			56,581
Segment liabilities	1,099	–	1,099
Unallocated corporate liabilities			14,814
Consolidated liabilities			15,913

7. SEGMENT INFORMATION – Continued

Segment assets and liabilities – Continued

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

- all assets are allocated to operating segments other than certain property, plant and equipment, prepaid lease payment, certain bank balances and cash, certain prepayments, deposits and other receivables, interest in a joint venture and tax recoverable; and

- all liabilities are allocated to operating segments other than certain other payables and accruals, amount due to a director, bank borrowing and tax payable.

Other segment information
For the year ended 31 December 2017

	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 property, plant and equipment	–	3	60	63
Additions to property, plant and equipment	–	–	50	50
Write-down of inventories	774	–	–	774
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Amortisation of prepaid lease payment	–	–	381	381
Bank interest income	–	(1)	–	(1)
Finance costs	–	–	83	83

7. SEGMENT INFORMATION – Continued

Other segment information – Continued

For the year ended 31 December 2016

	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 property, plant and equipment	690	3	57	750
Additions to property, plant and equipment	–	–	12	12
Write-down of inventories	1,788	–	–	1,788
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Capital contribution to a joint venture	–	–	510	510
Amortisation of prepaid lease payment	–	–	381	381
Bank interest income	–	(2)	–	(2)
Finance costs	–	–	13	13
Share of loss of a joint venture	–	–	8	8

7. SEGMENT INFORMATION – Continued

Geographical information

The Group's operations are located in Hong Kong and the PRC. All the non-current assets (excluding financial instruments) of the Group are located in Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of customers.

	Revenue from external customers year ended 31 December	
	2017	2016
	HK$'000	HK$'000
The PRC	**2,493**	–
Hong Kong	**30,925**	4,902
	33,418	4,902

Information about major customers

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

	2017	2016
	HK$'000	HK$'000
Customer A[1]	**12,051**	–
Customer B[1]	**16,689**	–
Customer C[2]	**–**	753
Customer D[1]	**–**	540
Customer E[2]	**–**	495

1 Revenue from trading of motor vehicles

2 Revenue from money lending

8. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Bank interest income	1	2
Other income	1	102
	2	104

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowing	83	13

10. INCOME TAX (CREDIT) EXPENSE

	2017 HK$'000	2016 HK$'000
Hong Kong		
– Current tax	–	28
– Over provision in prior year	(20)	–
	(20)	28

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for taxation in Hong Kong has been made for the year ended 31 December 2017 as the Group did not generate any assessable profits in Hong Kong (2016: approximately HK$28,000).

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.

10. INCOME TAX (CREDIT) EXPENSE – Continued

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

	2017 HK$'000	2016 HK$'000
Loss before tax	**(10,813)**	(12,866)
Tax at the domestic income tax rate of 16.5% (2016: 16.5%)	**(1,784)**	(2,123)
Tax effect of expenses not deductible for tax purpose	**73**	308
Tax effect of different tax rate of subsidiaries operating in other jurisdictions	**–**	(1)
Over provision in respect of prior year	**(20)**	–
Tax effect of tax losses not recognised	**1,722**	1,743
Tax effect of temporary differences not recognised	**(11)**	101
Income tax (credit) expense for the year	**(20)**	28

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2017 HK$'000	2016 HK$'000
Auditor's remuneration		
– Audit services	**480**	429
– Other services	**193**	118
	673	547
Cost of inventories recognised as an expense	**31,204**	1,576
Amortisation of prepaid lease payment	**381**	381
Depreciation of property, plant and equipment	**63**	750
Write-down of inventories included in administrative expenses	**774**	1,788
Minimum lease payments under operating lease in respect of rented premises	**1,080**	1,080
Staff costs (including directors' emoluments) *(Note 12)*	**3,081**	2,435

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

	2017	2016
	HK$'000	HK$'000
Salaries, bonuses and allowances	**2,972**	2,337
Contributions to retirement benefits scheme	**96**	89
Provision for annual leave payments	**13**	9
	3,081	2,435

The five highest paid employees of the Group during the year included three directors (2016: two directors), details of whose emoluments are set out in Note 13 below. Details of the emoluments for the year of the remaining two (2016: three) highest paid employees who are neither as director nor chief executive of the Company are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries, bonuses and allowances	**814**	955
Contributions to retirement benefits scheme	**30**	39
	844	994

The emoluments of each of the above employees were less than HK$1,000,000 during the two years ended 31 December 2017 and 2016.

During the two years ended 31 December 2017 and 2016, 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.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the years, disclosed pursuant to the Listing Rules and the CO, is as follows:

	For the year ended 31 December 2017				
	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Waived fees HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
Executive director and chief executive					
Mr. Chan Chun Choi *(Note iii)*	3,058	-	(2,708)	-	350
Executive directors					
Ms. Lo So Wa, Lucy	-	480	-	18	498
Mr. Chan Kingsley Chiu Yin	-	360	-	18	378
Sub-total	3,058	840	(2,708)	36	1,226
Independent non-executive directors					
Mr. Ip Ka Keung	100	-	-	-	100
Dr. Lam King Hang	100	-	-	-	100
Mr. Cheung Man Fu	100	-	-	-	100
Sub-total	300	-	-	-	300
Total	3,358	840	(2,708)	36	1,526

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – Continued

	For the year ended 31 December 2016				
	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Waived fees HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
Executive director and chief executive					
Mr. Chan Chun Choi *(Note iii)*	6,500	–	(6,500)	–	–
Executive directors					
Ms. Lo So Wa, Lucy	–	428	–	18	446
Mr. Chan Kingsley Chiu Yin	–	300	–	15	315
Sub-total	6,500	728	(6,500)	33	761
Independent non-executive directors					
Mr. Ip Ka Keung	100	–	–	–	100
Dr. Lam King Hang	100	–	–	–	100
Mr. Cheung Man Fu	100	–	–	–	100
Sub-total	300	–	–	–	300
Total	6,800	728	(6,500)	33	1,061

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – Continued

Notes:

(i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(iii) Mr. Chan Chun Choi agreed to waive his emoluments of approximately HK$2,708,000 (2016: HK$6,500,000) for the year ended 31 December 2017.

(iv) During the two years ended 31 December 2017 and 2016, 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.

Apart from the Directors, the Group has not classified any other person as chief executive during the years ended 31 December 2017 and 31 December 2016.

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on loss for the year attributable to owners of the Company of approximately HK$10,482,000 (2016: HK$12,177,000) and the weighted average of 859,146,438 (2016: 859,146,438) ordinary shares of the Company in issue during the year.

No diluted loss per share were presented as there was no dilutive potential ordinary share for the years ended 31 December 2017 and 2016.

16. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Furniture and fixtures	Office equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 January 2016	2,661	1,380	670	193	4,904
Additions	–	–	–	12	12
Written-off	–	–	–	(95)	(95)
At 31 December 2016	2,661	1,380	670	110	4,821
Additions	–	50	–	–	50
At 31 December 2017	**2,661**	**1,430**	**670**	**110**	**4,871**
ACCUMULATED DEPRECIATION					
At 1 January 2016	1,114	690	668	181	2,653
Provided for the year	49	690	1	10	750
Eliminated on written-off	–	–	–	(95)	(95)
At 31 December 2016	1,163	1,380	669	96	3,308
Provided for the year	48	8	1	6	63
At 31 December 2017	**1,211**	**1,388**	**670**	**102**	**3,371**
CARRYING VALUES					
At 31 December 2017	**1,450**	**42**	**–**	**8**	**1,500**
At 31 December 2016	1,498	–	1	14	1,513

16. 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%

During the year ended 31 December 2017, the building with a carrying value of approximately HK$1,450,000 (2016: HK$1,498,000) has been pledged to secure the Group's bank borrowing (Note 27).

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 2017 and 2016.

17. PREPAID LEASE PAYMENT

	HK$'000
COST	
At 1 January 2016, 31 December 2016 and **31 December 2017**	**20,945**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2016	8,759
Amortisation for the year	381
At 31 December 2016	9,140
Amortisation for the year	381
At 31 December 2017	**9,521**
CARRYING VALUES	
At 31 December 2017	**11,424**
At 31 December 2016	11,805

17. PREPAID LEASE PAYMENT – Continued

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:		
Non-current asset	**11,043**	11,424
Current asset	**381**	381
	11,424	11,805

During the year ended 31 December 2017, the prepaid lease payment with a carrying value of approximately HK$11,424,000 (2016: HK$11,805,000) has been pledged to secure the Group's bank borrowing (Note 27).

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 payment was recognised for the years ended 31 December 2017 and 2016.

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Second hand left-hand-drive motor vehicles	**637**	637
Right-hand-drive motor vehicles	**3,867**	4,641
	4,504	5,278

19. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**17,699**	–

Trade receivables at the end of the reporting period comprise amounts receivable from the trading of motor vehicles. No interest is charged on the trade receivables.

The Group's trade terms with its trade customers are settled within 3 days to 14 days upon delivery. The following is an aged analysis of trade receivables presented based on date of delivery of goods:

	2017 HK$'000	2016 HK$'000
0 – 30 days	**15,206**	–
31 – 60 days	**2,493**	–
	17,699	–

Aging of trade receivables which are past due but not impaired are as follows:

	2017 HK$'000	2016 HK$'000
0 – 30 days	**15,206**	–
31 – 60 days	**2,493**	–
	17,699	–

The Group did not provide any allowance on the past due receivables as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

19. TRADE RECEIVABLES – Continued

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the Group:

	2017	2016
	'000	'000
USD	318	–
EUR	609	–

20. LOAN AND INTEREST RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Secured loan and interest receivables	2,500	13,061
Analysed as:		
Current	2,500	11,597
Non-current	–	1,464
	2,500	13,061

The secured loan and interest receivables arising from provision of financing services are secured by properties located in Hong Kong and bear fixed interest rate at 30% (2016: ranging from 8% to 30%) per annum. The term of loans entered with customers ranges for 1 month (2016: ranges from 1 month to 60 months).

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity date at the reporting date are as follows:

	2017	2016
	HK$'000	HK$'000
Within 3 months	2,500	7,900
In more than 3 months but not more than 6 months	–	3,600
In more than 6 months	–	1,561
	2,500	13,061

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 2017 and 2016, all of the loan and interest receivables are neither past due nor impaired.

The loan and interest receivables outstanding as at 31 December 2017 and 2016 are denominated in HK$.

21. INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture is as follows:

	2017	2016
	HK$'000	HK$'000
Cost of investment in an unlisted joint venture in Hong Kong	**510**	510
Share of post-acquisition loss and other comprehensive expense, net of dividends received	**(8)**	(8)
	502	502

Pursuant to a joint venture agreement entered into between a wholly-owned subsidiary of the Company and an independent third party in relation to the establishment of a joint venture company, Victory Investment Holdings Limited, the Group contributed HK$510,000 to Victory Investment Holdings Limited, which represented 51% of the equity interests in Victory Investment Holdings Limited. However, as the Group only has joint control over the composition of the board of directors of Victory Investment Holdings Limited, the Directors are of the opinion that Victory Investment Holdings Limited is therefore classified as a joint venture of the Group.

21. INTEREST IN A JOINT VENTURE – Continued

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Place of incorporation and principal place of business	Proportion of ownership interests held by the Group		Proportion of voting rights held by the Group		Principal activities
		2017	2016	**2017**	2016	
Victory Investment Holdings Limited	Hong Kong	**51%**	51%	**50%**	50%	Trading of motor vehicles

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Victory Investment Holdings Limited

	2017 **HK$'000**	2016 HK$'000
Current assets	**984**	985
The above amounts of assets include the following:		
Cash and cash equivalents	**984**	985

21. INTEREST IN A JOINT VENTURE – Continued

Summarised financial information of the joint venture – Continued

Victory Investment Holdings Limited – Continued

	Year ended 31 December 2017 HK$'000	13 January 2016 (date of incorporation) to 31 December 2016 HK$'000
Revenue	**–**	–
Loss and total comprehensive expenses for the year/period	**(1)**	(15)
Dividends received from Victory Investment Holdings Limited during the year/period	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Victory Investment Holdings Limited recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net assets of Victory Investment Holdings Limited	**984**	985
Proportion of the Group's ownership interest in Victory Investment Holdings Limited	**51%**	51%
Carrying amount of the Group's interest in Victory Investment Holdings Limited	**502**	502

22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Prepayment *(Note a)*	**–**	1,200
Other receivables *(Note b)*	**3,306**	6,286
Deposits	**402**	237
Other prepayments	**48**	66
Purchase deposits	**3,180**	755
Total prepayment, deposits and other receivables	**6,936**	8,544

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$1,200,000 (2016: HK$1,800,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2017 using straight-line basis amortised over the service period.

(b) During the year ended 31 December 2012, the Group has entered into a sale and purchase agreement (the "Agreement") with Long Triumph Holdings Limited (the "Vendor") and Ms. Leung Oi Lan, Kit (the "Guarantor/Ms. Leung") for acquiring the entire issued share capital of Jumbo Chance Holdings Limited (the "Jumbo Chance"), at an aggregate consideration of HK$60,000,000 (the "Jumbo Chance Acquisition").

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 and its subsidiaries (collectively referred to as the "Jumbo Chance Group") for each of the one-year period from 1 April 2012 to 31 March 2013 (the "First Relevant Period") and the one-year period from 1 April 2013 to 31 March 2014 (the "Second Relevant Period") as to be shown in the audited consolidated financial statements of the Jumbo Chance Group for such period to be prepared by a certified public accountants acceptable to the Company shall not be less than HK$15,000,000 (the "Target Sum").

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

22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES – Continued

Notes: – Continued

(b) – Continued

At 31 December 2017, included in other receivables is the Shortfall Amount due from the Vendor with the amount of approximately HK$3,300,000 (2016: HK$4,000,000). The amount due is unsecured, non-interest bearing and repayment on demand.

At 31 December 2016, included in other receivables is amount due from Ms. Leung, a former beneficial owner of Jumbo Chance, with the amount of approximately HK$2,276,000. The amount due is unsecured, non-interest bearing and repayable on demand. The amount was fully settled during the year ended 31 December 2017.

The Group does not hold any collateral over these balances.

Included in purchase deposit are the following amounts denominated in a currency other than the functional currency of the Group:

	2017	2016
	'000	'000
USD	**309**	-
GBP	**60**	60

23. BANK BALANCES AND CASH

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

24. TRADE PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables	**3,160**	–

The purchases of goods should be settled upon delivery.

The following is an aged analysis of trade payables presented based on invoice date:

	2017	2016
	HK$'000	HK$'000
61 – 90 days	**3,160**	–

25. OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	HK$'000
Other payables	**739**	1,749
Accruals	**2,117**	1,833
	2,856	3,582

26. AMOUNT DUE FROM (TO) A DIRECTOR/A MINORITY SHAREHOLDER

The particular of amount due from a minority shareholder is as follows:

Name of company	**2017**	**Maximum amount outstanding during the year**	2016
	HK$'000	**HK$'000**	HK$'000
Hero Mark Inc Limited	**40**	**40**	40

The amount due from (to) a director/a minority shareholder is unsecured, non-interest bearing and repayable on demand.

27. BANK BORROWING

	2017	2016
	HK$'000	HK$'000
Secured borrowing – repayable within one year	**12,500**	12,000

As at 31 December 2017 and 2016, the bank borrowing is secured by a mortgage over the Group's building and prepaid lease payment (Notes 16 and 17) 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% per annum (2016: HIBOR (1 month) +3.25% per annum). The bank borrowing is denominated in HK$.

28. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of approximately HK$222,445,000 (2016: HK$212,009,000). 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. At the end of the reporting period, the Group has deductible temporary differences of HK$11,000 (2016: HK$101,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

29. SHARE CAPITAL

	Par value per share HK$	Number of shares	Amount HK$'000
Authorised:			
At 31 December 2016 and **31 December 2017**	**0.001**	**152,055,864,000**	**152,056**
Issued and fully paid:			
At 31 December 2016 and **31 December 2017**	**0.001**	**859,146,438**	**859**

30. SHARE OPTION SCHEME

Pursuant to resolutions passed at the 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.

30. SHARE OPTION SCHEME – Continued

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 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.

31. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2016, the inventories which represented the cost of two motor vehicles of approximately HK$4,929,000 had been returned to a minority shareholder and set off with the amount due to a minority shareholder of approximately HK$4,889,000.

32. OPERATING LEASES

The Group as lessee

	2017	2016
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year:		
– Premises	**1,080**	1,080

32. OPERATING LEASES – Continued

The Group as lessee – Continued

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:

	2017 HK$'000	2016 HK$'000
Within one year	270	–

The Group leases premises under an operating lease. As at 31 December 2017, the lease runs for an initial period of 1 year, 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. As at 31 December 2016, the Group had no commitments under operating leases.

33. MATERIAL RELATED PARTY TRANSACTIONS

Details of balances with related parties are disclosed in Note 26 to the consolidated financial statement.

Key management personnel compensation

The key management personnel of the Group comprises all the Directors, details of their emolument are disclosed in Note 13 to the consolidated financial statements. The emolument of the Directors is determined by the remuneration committee having regard to the performance of individual and market trends.

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 bank borrowing and amount due to a director, 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 or to apply long term bank borrowing if necessary.

35. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company Directly		Indirectly		Proportion of voting power held by the Company Directly		Indirectly		Principal activities
				2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	
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	HK$1,000	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Investment holding and trading in motor vehicles
		Non-voting deferred	HK$3,000,000									
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	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	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
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	Hong Kong	Ordinary	HK$10,000	**-**	–	**100%**	100%	**-**	–	**100%**	100%	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.

35. PARTICULARS OF SUBSIDIARIES – Continued

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
				HK$'000	HK$'000	**HK$'000**	HK$'000
Wakit Motors Limited	Hong Kong	**40%**	40%	**(311)**	(716)	**(1,647)**	(1,336)
Individually immaterial subsidiary with non-controlling interest				**-**	(1)	**(26)**	(26)
				(311)	(717)	**(1,673)**	(1,362)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

35. PARTICULARS OF SUBSIDIARIES – Continued

Wakit Motors Limited

	2017	2016
	HK$'000	HK$'000
Current assets	**3,988**	4,786
Current liabilities	**(8,105)**	(8,125)
Equity attributable to owners of the Company	**(2,470)**	(2,003)
Non-controlling interests	**(1,647)**	(1,336)
Revenue	**–**	–
Expenses	**(778)**	(1,790)
Loss and total comprehensive expenses attributable to owners of the Company	**(467)**	(1,074)
Loss and total comprehensive expenses attributable to non-controlling interests	**(311)**	(716)
Loss and total comprehensive expenses for the year	**(778)**	(1,790)

35. PARTICULARS OF SUBSIDIARIES – Continued

Wakit Motors Limited – Continued

	2017 HK$'000	2016 HK$'000
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(24)**	(1)
Net cash outflow from investing activities	**–**	–
Net cash outflow from financing activities	**–**	–
Net cash outflow	**(24)**	(1)

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowing HK$'000	**Interest payable (included in other payables)** HK$'000	**Total** HK$'000
At 1 January 2017	12,000	–	12,000
Changes from cash flows:			
Repayment of bank borrowing	(12,000)	–	(12,000)
New borrowing	12,500	–	12,500
Interest paid	–	(83)	(83)
Non-cash changes:			
Interest expenses (Note 9)	–	83	83
At 31 December 2017	12,500	–	12,500

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**7**	11
Interests in subsidiaries	*a*	**26,832**	35,025
		26,839	35,036
CURRENT ASSETS			
Prepayments		**196**	30
Amount due from a director		**609**	591
Bank balances and cash		**252**	285
		1,057	906
CURRENT LIABILITIES			
Other payables and accruals		**857**	774
NET CURRENT ASSETS		**200**	132
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,039**	35,168
CAPITAL AND RESERVES			
Share capital		**859**	859
Reserves	*b*	**26,180**	34,309
TOTAL EQUITY		**27,039**	35,168

The Company's statement of financial position was approved and authorised for issue by the board of directors on 22 March 2018 and are signed on its behalf by:

Chan Chun Choi
DIRECTOR

Lo So Wa Lucy
DIRECTOR

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – Continued

Notes:

(a) Interests in subsidiaries

	2017 **HK$'000**	2016 HK$'000
Investments at cost		
Unlisted shares	**76,316**	76,316
Less: Accumulated provision for impairment	**(76,316)**	(76,316)
	–	–
Amounts due from subsidiaries due within one year		
Interest bearing at 4% per annum (2016: 4%)	**16,309**	20,245
Non-interest bearing	**154,132**	152,124
	170,441	172,369
Less: Accumulated provision for impairment	**(143,608)**	(137,344)
	26,832	35,025

Amounts due from 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 2016	158,099	64,809	(183,845)	39,063
Loss and total comprehensive expense for the year	–	–	(4,754)	(4,754)
At 31 December 2016	158,099	64,809	(188,599)	34,309
Loss and total comprehensive expense for the year	–	–	(8,129)	(8,129)
At 31 December 2017	**158,099**	**64,809**	**(196,728)**	**26,180**

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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**33,418**	4,902	10,985	30,216	29,963
Loss before tax	**(10,813)**	(12,866)	(18,595)	(22,495)	(29,812)
Income tax credit (expense)	**20**	(28)	(340)	(52)	–
Loss and total comprehensive expense for the year	**(10,793)**	(12,894)	(18,935)	(22,547)	(29,812)
Loss and total comprehensive expense attributable to					
Owners of the Company	**(10,482)**	(12,177)	(18,846)	(21,967)	(29,796)
Non-controlling interests	**(311)**	(717)	(89)	(580)	(16)
	(10,793)	(12,894)	(18,935)	(22,547)	(29,812)

ASSETS AND LIABILITIES

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**13,045**	14,903	15,534	20,810	25,231
Current assets	**35,354**	41,678	47,844	68,987	87,303
Current liabilities	**(18,524)**	(15,913)	(9,816)	(17,295)	(17,485)
Net current assets	**16,830**	25,765	38,028	51,692	69,818
Total assets less current liabilities	**29,875**	40,668	53,562	72,502	95,049
Non-current liabilities	**–**	–	–	–	–
Net assets	**29,875**	40,668	53,562	72,502	95,049