VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

Annual Report 2018

CONTENTS

	Pages
Corporate Information	2
Profiles of Directors	3
Chairman's Statement	5
Management Discussion and Analysis	6
Report of the Directors	9
Corporate Governance Report	17
Environmental, Social and Governance Report	30
Independent Auditor's Report	38
Consolidated Statement of Profit or Loss and Other Comprehensive Income	43
Consolidated Statement of Financial Position	44
Consolidated Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	47
Notes to the Consolidated Financial Statements	48
Summary Financial Information	118

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Chan Chun Choi *(Chairman and Managing Director)*
Chan Kingsley Chiu Yin *(Deputy Chairman)*
Lo So Wa Lucy

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

EXECUTIVE DIRECTORS

Mr. Chan Chun Choi, aged 73, 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 and the father of Mr. Chan Kingsley Chiu Yin, both of them are executive director of the Company.

Mr. Chan Kingsley Chiu Yin, aged 32, 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 49, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Ka Keung, aged 50, 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 48, 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 nonexecutive 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 46, 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 2018 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 2018, the Group recorded a revenue of approximately HK$18,957,000 for the year (2017: HK$33,418,000). Net loss attributable to shareholders of the Company for the year was approximately HK$16,015,000 (2017: HK$10,482,000).

The Board did not recommend to pay any dividend for the year ended 31 December 2018 (2017: Nil).

BUSINESS REVIEW

The principal activities of the Group during the year were investment holding, trading of motor vehicles and parts and money lending business. The primary markets of the motor vehicles and parts trading business were mainland China and Hong Kong.

During the year, huge number of competitors entered into the importing brand new motor vehicles to mainland China business affected the market share of the Company led unable to benefit from the sales, on the other hand, the trade war slowdown demand of new imported motor vehicles in mainland China.

At the request of the Company, trading in the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 23 January 2018. On 1 February 2019, the Stock Exchange had decided to place the Company into the third delisting stage on 18 February 2019 pursuant to Practice Note 17 of the Listing Rules.

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 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, 25 March 2019

Management Discussion and Analysis

RESULTS

The Group had revenue of approximately HK$18,957,000 (2017: HK$33,418,000) for the year ended 31 December 2018. Net loss attributable to owners of the Company for the year was approximately HK$16,015,000 (2017: HK$10,482,000).

BUSINESS REVIEW

The principal activities of the Group during the year were investment holding, trading of motor vehicles and parts and money lending business. The primary markets of the motor vehicles and parts trading business were mainland China and Hong Kong.

During the year, huge number of competitors entered into the importing brand new motor vehicles to mainland China business affected the market share of the Company led unable to benefit from the sales, on the other hand, the trade war slowdown demand of new imported motor vehicles in mainland China.

At the request of the Company, trading in the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 23 January 2018. On 1 February 2019, the Stock Exchange had decided to place the Company into the third delisting stage on 18 February 2019 pursuant to Practice Note 17 of the Listing Rules.

Comparing to last financial year, the audited net loss for 2018 was worse caused by the weakness of business environment. It including increase of approximately HK$149,000, HK$1,289,000, HK$651,000 in other income, selling and distribution expenses and finance costs respectively, and decrease of approximately HK$1,550,000, HK$1,090,000 in gross profit, 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 2018 was 1.07 (2017: 1.91). The gearing ratio resulting from a comparison of the total borrowings with total equity of the Group at 31 December 2018 was 1.12 (2017: 0.42), the borrowing at 31 December 2018 was HK$15,500,000 (2017: HK$12,500,000). 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 2018 the Group had loan and interest receivables amounted to approximately HK$1,527,000 (2017: HK$2,500,000), trade receivables amounted to approximately HK$9,386,000 (2017: HK$17,699,000) and had no trade payables (2017: HK$3,160,000). There had inventories amounted to approximately HK$2,952,000 as at 31 December 2018 (2017: HK$4,504,000).

As at 31 December 2018, the Group's net current assets amounted to approximately HK$1,287,000 (2017: HK$16,830,000) and net assets amounted to approximately HK$13,887,000 (2017: HK$29,875,000). At the same day, the Group's bank balances and cash amounted to approximately HK$2,146,000 (2017: HK$3,216,000). The bank borrowing at 31 December 2018 was HK$15,500,000 (2017: HK$12,500,000).

CHARGES ON ASSETS

As at 31 December 2018, the Group had pledged building and prepaid lease payments with an aggregate carrying amount of approximately HK$12,445,000 (2017: HK$12,874,000) to secure banking facilities and other borrowings granted to the Group. The bank borrowing at 31 December 2018 was HK$15,500,000 (2017: HK$12,500,000).

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment during the year ended 31 December 2018.

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, 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 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 and parts
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 2018, the Group had a total of 13 (2017: 11) employees, of whom twelve were based in Hong Kong and one was 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$4,034,000 (2017: HK$3,081,000). 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, EUR and Renminbi. 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 2018, neither the Group nor the Company had any significant contingent liabilities.

CAPITAL COMMITMENT

At 31 December 2018, 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 1 February 2019, the Company received a letter from Stock Exchange decided to place the Company into the third delisting stage on 18 February 2019 under Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange and shall expire at the end of six months (i.e. 17 August 2019).

The Company is required to submit a viable resumption proposal at least 10 business days before the third delisting stage expires (i.e. 5 August 2019) to demonstrate that the Company has sufficient level of operations or assets of sufficient value as required under Rule 13.24.

The Stock Exchange may modify any of the above and/or impose further resumption conditions if necessary. If the Company fails to submit a viable proposal by the end of the third delisting stage, the Stock Exchange will proceed to cancel the listing of the Company.

FUTURE OUTLOOK

The Company and its professional advisors are in the process of preparing a viable resumption proposal and formulating steps and plans for fulfilling the resumption conditions. Further announcement(s) will be made by the Company to update its shareholders on developments concerning the Company as and when appropriate in accordance with the Listing Rules.

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. The Board is confidence to bring the Company back profitable track once the trading of the Company's shares is resumed.

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year under review were investment holding, trading of motor vehicles and parts and money lending business. During the year, the Group had revenue of approximately HK$18,957,000.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 43 to 117.

t

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 98.66% of the sales and the largest customer accounted for approximately 45.93% 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 39.65% 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 118. 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 15 and 16 to the consolidated financial statements respectively.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 34 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 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 2017	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
Loss for the year, representing total comprehensive (expense) income for the year	–	–	–	(16,015)	(16,015)	27	(15,988)
At 31 December 2018	**158,099**	**710**	**(4)**	**(144,131)**	**14,674**	**(1,646)**	**13,028**

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 36(b) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2018, 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 2018.

CONTINGENT LIABILITIES

At 31 December 2018, 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 2018.

RELATED PARTY TRANSACTIONS

Except for the disclosure in the note 32 to the consolidated financial statements, there were no related party transactions in the year under review.

EMPLOYEES

As at 31 December 2018, the Group had a total of 13 (2017: 11) employees, of whom twelve were based in Hong Kong and one was 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$4,034,000 (2017: HK$3,081,000). 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 2018, the Group had pledged building and prepaid lease payments with an aggregate carrying amount of approximately HK$12,445,000 (2017: HK$12,874,000) to secure banking facilities and other borrowings granted to the Group. The bank borrowing at 31 December 2018 was HK$15,500,000 (2017: HK$12,500,000).

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$33,900,000 and HK$2,280,000 respectively (2017: HK$29,620,000 and HK$2,380,000 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

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. Ip Ka Keung and Dr. Lam King Hang, shall retire from their offices and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting. Mr. Ip Ka Keung, the Independent Non-Executive Director, has served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Listing Rules, his re-election will be subject to separate resolution to be approved at the 2019 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 11 and 12 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 32 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 32 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 Chun Choi, 1% by his wife, Lo So Wa Lucy and 1% by his son, Chan Kingsley Chiu Yin).

(b) Lo So Wa Lucy 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 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, 25 March 2019

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

Independent non-executive Directors:

Ip Ka Keung
Lam King Hang
Cheung Man Fu

Lo So Wa Lucy 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.

Mr. Ip Ka Keung, being Independent Non-Executive Directors, has served the Company for more than nine years. The Nomination Committee considered that his long service will not affect his exercise of independent judgment and was satisfied that he has the required integrity and experience to continue fulfilling the role of an Independent Non-Executive Director. Taking into consideration the above and the confirmations on the Independence Guidelines made by Mr. Ip Ka Keung, the Board is of the view that Mr. Ip Ka Keung remain independent notwithstanding the length of their service.

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, five 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	5/5	1/1
Chan Kingsley Chiu Yin	5/5	1/1
Lo So Wa Lucy	4/5	1/1
Ip Ka Keung	5/5	1/1
Lam King Hang	5/5	1/1
Cheung Man Fu	5/5	1/1

RE-ELECTION OF DIRECTORS

In accordance with clauses 87(1) of the Company's bye-laws, Mr. Ip Ka Keung and Dr. Lam King Hang, shall retire from their offices and, being eligible, have offered themselves for re-election at the Company's forthcoming annual general meeting. Mr. Ip Ka Keung, the Independent Non-Executive Director, has served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Listing Rules A.4.3, his re-election will be subject to separate resolution to be approved at the 2019 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 2018.

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	✓
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 2018 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 2018 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 2018 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, three Remuneration Committee meetings were held and the attendance summary is as below:

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

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 2018.

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 (2017: six) Directors were as follows:

	Fees 2018 HK$'000	**Salaries, bonuses and allowances 2018 HK$'000**	**Contributions to retirement benefit scheme 2018 HK$'000**	**Total 2018 HK$'000**	Total 2017 HK$'000
Executive director and chief executive					
Mr. Chan Chun Choi *(Note)*	**600**	**-**	**-**	**600**	350
Executive directors					
Ms. Lo So Wa, Lucy	**-**	**480**	**18**	**498**	498
Mr. Chan Kingsley Chiu Yin	**-**	**360**	**18**	**378**	378
Sub-total	**600**	**840**	**36**	**1,476**	1,226
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	**900**	**840**	**36**	**1,776**	1,526

Notes: Mr. Chan Chun Choi agreed to waive his emoluments of approximately HK$2,708,000 for the year ended 31 December 2017.

The emoluments of the Directors fell within the following bands:

	2018 Number of Directors	2017 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 Non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the Corporate Governance Report; and
- report back to the Board on decisions or recommendations made, unless there are legal or regulatory restrictions to do so.

The Board adopts the underlying principles of the Corporate Governance Code regarding tenure of the Board, and seeks to strike an appropriate balance between continuity of experience and refreshment. Although serving on the Board for more than 9 years could be relevant to the determination of a Non-executive Director's independence, the Board recognises that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. We consider that continued tenure brings considerable stability to the Board and the Board has benefited greatly from the presence of individuals who have over time gained valuable insight into the Group and its markets.

Rigorous review is applied to assessing the continuing independence of Directors having served for over 9 years, with attention to ensuring that they remain independent in character and judgement, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management and the Board. As candidates for election are proposed by separate resolutions put forward for shareholders' consideration at general meetings, the circular to shareholders accompanying the resolution for electing an INED having served for more than 9 years will include the reasons why the Board believes he/she is still independent and should be re-elected.

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

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

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

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$118,000.

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 Board has in place an internal audit function within the Group as required under code provision C.2.5 of the Corporate Government Code. The Group has engaged an independent professional adviser (the "Internal Control Adviser") to conduct an annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2018. Such review is conducted annually. The scope of review included revenue cycle, procurement cycle, inventory cycle and cash management 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 REPORT

This report is the third Environmental, Social and Governance Report (the "ESG Report") of Victory Group Limited ("Victory" or the "Company" or "We") which focus on the disclosure of the Company and its subsidiaries (collectively known as the "Group") approaches and strategies in pursuit of sustainable development.

This ESG Report covers our sustainable development performances in trading of motor vehicles and money lending business, which are our key business operations in Hong Kong office, during the period from 1 January 2018 to 31 December 2018 (the "Reporting Period").

The ESG Report is prepared in accordance with 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 "Main Board Listing Rules"). It is recommended that this ESG Report is read in conjunction with the "Corporate Governance Report" included in this Annual Report, regarding the Corporate Governance measures.

We endeavor to create sustained growth and long-term value for our stakeholders. Thus, we welcome your valuable comments and suggestions in relation to this ESG Report or related to our sustainability performance by email: info@1139vgl.com.

ABOUT VICTORY

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 a showroom at Kam Tin under the business name of "Car Paradise" before the end of rental agreement in September 2018.

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.

COMMUNICATION WITH STAKEHOLDERS

The Group constantly communicates with its key internal and external stakeholders through various channels. Stakeholders' participation allows the Group to ensure the alignment of its business and sustainability strategy with stakeholders' perspectives and expectations.

The Group has identified its key stakeholders that are important to its business and established various channels for communication:

Stakeholders	Communication channels	Expectations and concerns
Employees	• Internal meetings • Performance assessment • Company activities	• Employees' compensation and benefits • Health and safety working environment • Career development opportunities
Customers	• Business communication • Email	• High quality product and service • Protect the rights of customers
Suppliers	• Business communication • Email	• Fair and open procurement • Win-win cooperation
Shareholders	• Shareholders' meetings • Regular reports and announcements • Official website	• Return on investments • Information disclosure and transparency • Protection of interests and fair treatment of shareholders
Community	• Official website • Regular reports and announcements	• Involvement in communities • Business compliance • Environmental protection awareness
Government and regulatory bodies	• Information submission • Email	• Compliance with laws and regulations • Promote regional economic development and employment

In developing this ESG Report, an online survey has been conducted to help us to identify and prioritise the issues that are material to both our internal and external stakeholders. Based on the survey results, the Group has identified product quality, occupational safely, supplier selection process, anti-fraud and customer privacy as top 5 importance issues to its stakeholders and the Group. This review has helped the Group to prioritise its corresponding sustainability issues and highlight the material and relevant aspects so as to align them with stakeholders' expectations.

ENVIRONMENTAL PERFORMANCE

The Group is committed to operating its business in an environmentally conscious manner. As our business nature does not involve any production procedures, there is no direct emission of exhaust gas, greenhouse gas ("GHG") and generation of hazardous waste during the Reporting Period.

Global warming and climate change are among the major environmental concerns in every part of the world. Our GHG emissions are mainly generated from the use of purchased electricity. The electricity purchased is for maintaining the daily office operations, including lighting and electronic equipment.

Air and Greenhouse Gas Emissions

	2018	2017	**Unit**
GHG emission in total	**13.87**	18.31	Tonnes of CO_2e
GHG emission (Scope 1)	**N/A**	N/A	Tonnes of CO_2e
GHG emission (Scope 2)	**13.87**	18.31	Tonnes of CO_2e
GHG emission per employee	**0.82**	1.66	Tonnes of CO_2e/employee

Energy consumption

	2018	2017	**Unit**
Energy consumption in total	**27,205**	33,910	kWh
Energy consumption per employee	**1,600.29**	3,082.73	kWh/employee

As GHG emissions are positively correlated to electricity and energy consumption, the Group tries to reduce the consumption of both aspects in its daily operation through the following specific measures:

- Adopt natural lighting where possible, while energy-efficient light bulbs are used to reduce electricity consumption
- Modify the set temperature of air conditioners in the offices based on the season
- Switch off unnecessary lighting and electronic equipment while not in use
- Deploy LED lighting
- Clean the air filter of air conditioning system regularly to improve its efficiency
- Encourage the Group's employees to replace business travels with telephone conference or video conference when appropriate to reduce related GHG emissions caused by the transportation required for business travels
- Encourage employees to schedule visits or offsite meetings within one trip to reduce the frequency of travel

Waste management

Our business operations did not consume any packaging materials nor generate any hazardous wastes. Paper waste was our major non-hazardous wastes and approximately 0.03 tonnes of paper has been consumed, with intensity of 0.002 tonnes/employee, during the Reporting Period.

To reduce the non-hazardous wastes, the following key measures have been implemented:

- Encourage both-side printing and the use of recycled paper for printing and copying
- Disseminate information by electronic means (i.e. via email) as much as possible
- Encourage staff to reduce paper consumption and to share tips and information on how to adopt a more environmentally-responsible lifestyle
- Promote "think before you copy" attitude
- 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 135m^3 (2017: 538m^3), with water consumption intensity of 7.94m^3/employee (2017: 48.91m^3/employee). Since the rental agreement of our showroom was ended in September 2018, the water consumption has decreased.

For the Group's office, as we operated in leased office premises in Hong Kong of which both the water supply and discharge were solely controlled by the respective building management. Hence, the water usage data was unable to be obtained by us as an individual occupant. Besides, as our business is located in Hong Kong, there is no issue in sourcing water.

To avoid unnecessary water consumption from daily operation, we post several saving slogans at eye levels of occupied areas.

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

Compliance

During the Reporting Period, the Group was not aware of any incidents of non-compliance with Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and other relevant laws and regulations related to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste. The Group did not have any significant impact on the environment and natural resources.

OUR PEOPLE

We regard employees as core resources of the enterprise. Our key management has had over 20 years of experience in the car trading industry. Their extensive experience allows them to make buying decisions that are in line with the latest market trends and keep the stock turnover low. In addition, we have an experienced sales team, some of them have been working in the industry for over 15 years.

We advocate work-life balance and pay close attention to employees' total well-being. We continuously improve various systems on the selection, training and retention of employees, so as to create a fair and open working environment and offer diversified career advancement opportunities.

Recruitment and Dismissal

To attract high-calibre candidates, the Group offers fair remuneration and benefits based on individuals' performance, personal attributes, job experiences and career aspiration. We follow the principles of fairness, equality, competitive and non-discrimination to hire outstanding talents, and are devoted to protect human right and privacy of employees. We recruit employees based on a number of factors, such as professional experience, educational background and capabilities. All employees of the Group have entered into written employment contracts.

Whenever an employee resigns or gets laid off, designated human resource personnel would 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.

Employee Remuneration

We offer a comprehensive and competitive remuneration package to enhance our staff morale and satisfaction. In addition, the Group conducts staff performance assessments regularly in accordance to changes in macroeconomic factors (e.g. national policies and price levels), market trend and the overall effectiveness of the Group, and makes corresponding adjustments to staff remuneration. Outstanding employees will get promotion as reward and recognition. Apart from competitive remuneration packages, we also grant share options to eligible personnel, depending on their performances and our financial conditions, in order to attract and retain the most talented people. Our employees also enjoy the statutory holidays, annual leaves, maternity leaves and compassionate leaves regarding to the relevant laws and regulations.

Equal Opportunities

The Group believes that it is important to provide employees with equal opportunities based on the principles of fairness and fairness. We provide fair opportunities for recruitment, compensation, training, transfer and promotion to our employees regardless of their gender, ethnic, background, religion, colour, age, marital status, family status, retirement, disability or pregnancy.

In addition, the Group adopts a zero-tolerance attitude towards gender, ethnicity, disability discrimination, and workplace harassment. We respect human rights and prohibits discrimination, harassment, child labor and forced labor in the workplace. Our staff handbook sets out the standard working hours, paid leaves and dismissal policy to safeguard the rights of employees.

Compliance

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

Health and safety

We value the health and well-being of staff. We are committed to achieve the said environment 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.

Compliance

During the Reporting Period, the Group was not aware of any incidents of non-compliance with The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and other relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. We also did not receive any reports on work-related injuries or causalities during the Reporting Period.

Development and training

The Group recognizes the importance of skilled and professionally trained employees to its business growth and future success. We provide and encourage employees at all levels to participate in various external courses, including technical and vocational training seminars, forums, on-job and continuing training courses.

LABOUR STANDARDS

In strict accordance with applicable local laws and regulations, we adopt a zero-tolerance approach to unethical labour practice including but not limited to child labor and forced labor. Once any breach of regulations is discovered, the labour relationship will be terminated immediately. All recruitment procedure and promotion are managed by the Human Resource Department to ensure no child labour or forced labour is employed.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with the Employment of Children Regulations made under the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) or other relevant laws and regulations on preventing child or forced labour.

SUPPLY CHAIN MANAGEMENT

Suppliers are critical parts in the business of the Group. In general, we purchase motor vehicles from different overseas car agents based on the perceived market demand of the target customers for various car models. However, we will also base on specific requests from our potential customers regarding on model, color and other configurations to contact our overseas car agents.

Maintaining strong relationship with our overseas car agents is one of our major contributing factors of success. In particular, we have had active business relationship with our US and Germany car agents since 1998. Such relationship ensures the Group to secure a steady supply of in-demand motor vehicles to our customers.

We also commit to assure the safety and quality of our cars to our customers. Before the completion of car purchase through our overseas car agents, they 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 car agents would purchase the vehicles only after the inspection is satisfactorily completed.

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

During the Reporting Period, the Group was not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

WARRANTY AND AFTERSALES SERVICES

Providing caring and dependable aftersales and maintenance services to our customers is a key successful factor to the sustainability development of our automobile business. We serve our customers through different communication channels, such as customer hotline and internet collaboration platform. In expanding our PRC market, we carefully select our PRC distribution partners through our distributor assessment procedures to ensure 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 are committed to protecting the privacy of customer data and employee data on the collection, processing and use. All collected customer information will only be used for business purposes and will be kept confidential through authorised use and access. Furthermore, we install firewall and anti-virus software so as to protect the confidential information from improper use of hackers.

During the Reporting Period, the Group was not aware of any material non-compliance with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and other relevant laws and regulations that constitutes a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters.

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, the Group was not aware of any material non-compliance with the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and other relevant laws and regulations and there was no legal cases concerned with corrupt practices were brought against the Group or Directors or employees.

COMMUNITY INVESTMENT

Without the support and trust from the society, the Group would not have attained the success since its incorporation. Thus, the Group is dedicated to provide support to needy and underprivileged people within the society. The Group encourages our employees to participate in different community activities, in order to promote social harmony.

Independent Auditor's Report

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 43 to 117, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2018, 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

As disclosed in Note 18 to the consolidated financial statements, as at 31 December 2018, the Group had gross trade receivables of approximately HK$12,259,000 and allowance of credit losses of approximately HK$2,873,000.

Management applied judgment in assessing the expected credit losses. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of trade receivables are assessed individually for allowance for credit losses. Expected credit losses are also estimated by grouping the remaining trade receivables based on shared credit risk characteristic and collectively assessed for likelihood of recovery, taking into account the information including credit profile of different customers, aging of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forwardlooking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

How our audit addressed the key audit matter

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

- Checking the aging profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlements to bank receipts;

- Inquiring and challenging the valuer on the assumptions, methodology and rates for the credit loss allowance provided by using the expect credit loss model;

- Inquiring of management for the status of each of the trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and

- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

KEY AUDIT MATTERS – Continued

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 17 to the consolidated financial statements, as at 31 December 2018, the carrying amount of the Group's inventories was approximately HK$2,952,000.

In estimating the amount of allowance for inventories, management reviews the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain he amount of allowance for inventories.

How our audit addressed the key audit matter

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

- Evaluating the appropriateness of the Group's accounting policy on the valuation of its inventories.
- Looking out for slow-moving inventories during our attendance of physical inventory count at year end.
- Checking and analysing the aging profile of the inventories by verifying to the underlying suppliers' invoices.
- Testing the unit cost of the inventories and checking 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 of the Company 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.

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)
Chung Chi Chiu
Practising Certificate Number: P06610

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

25 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**18,957**	33,418
Interest income		**625**	1,545
Others		**18,332**	31,873
Cost of sales		**(18,293)**	(31,204)
Gross profit		**664**	2,214
Other income		**151**	2
Selling and distribution expenses		**(2,494)**	(1,205)
Administrative expenses		**(10,651)**	(11,741)
Impairment loss on trade receivables		**(2,873)**	–
Share of loss of a joint venture	20	**(2)**	–
Operating loss		**(15,205)**	(10,730)
Finance costs	8	**(734)**	(83)
Loss before tax		**(15,939)**	(10,813)
Income tax (expense) credit	9	**(49)**	20
Loss and total comprehensive expense for the year	10	**(15,988)**	(10,793)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(16,015)**	(10,482)
Non-controlling interests		**27**	(311)
		(15,988)	(10,793)
Loss per share	14		
Basic (HK cents)		**(1.86)**	(1.22)
Diluted (HK cents)		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**1,438**	1,500
Prepaid lease payment – non-current portion	*16*	**10,662**	11,043
Interest in a joint venture	*20*	**500**	502
		12,600	13,045
CURRENT ASSETS			
Inventories	*17*	**2,952**	4,504
Trade receivables	*18*	**9,386**	17,699
Loan and interest receivables	*19*	**1,527**	2,500
Prepayments, deposits and other receivables	*21*	**3,575**	6,936
Amount due from a minority shareholder	*26*	**–**	40
Prepaid lease payment – current portion	*16*	**381**	381
Tax recoverable		**29**	78
Bank balances and cash	*22*	**2,146**	3,216
		19,996	35,354
CURRENT LIABILITIES			
Trade payables	*23*	**–**	3,160
Other payables and accruals	*24*	**2,106**	2,856
Contract liabilities	*25*	**1,095**	–
Amount due to a director	*26*	**8**	8
Bank borrowing	*27*	**15,500**	12,500
		18,709	18,524
NET CURRENT ASSETS		**1,287**	16,830
NET ASSETS		**13,887**	29,875

	Note	2018 HK$'000	2017 HK$'000
CAPITAL AND RESERVES			
Share capital	29	**859**	859
Reserves		**14,674**	30,689
Equity attributable to owners of the Company		**15,533**	31,548
Non-controlling interests		**(1,646)**	(1,673)
TOTAL EQUITY		**13,887**	29,875

The consolidated financial statements on pages 43 to 117 were approved and authorised for issue by the board of directors on 25 March 2019 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 2018

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Contributed surplus**	**Other reserve**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	HK$'000	HK$'000 *(Note)*	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	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
Loss for the year, representing total comprehensive (expense) income for the year	–	–	–	–	(16,015)	(16,015)	27	(15,988)
At 31 December 2018	**859**	**158,099**	**710**	**(4)**	**(144,131)**	**15,533**	**(1,646)**	**13,887**

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 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(15,939)**	(10,813)
Adjustments for:		
Bank interest income	**–**	(1)
Interest expenses	**734**	83
Depreciation of property, plant and equipment	**63**	63
Amortisation of prepaid lease payment	**381**	381
Write-down of inventories	**–**	774
Impairment loss on trade receivables	**2,873**	–
Bad debt written off	**2,491**	–
Share of loss of a joint venture	**2**	–
Operating cash flows before movements in working capital	**(9,395)**	(9,513)
Decrease in loan and interest receivables	**973**	10,561
Decrease (increase) in trade receivables	**2,949**	(17,699)
Decrease in prepayments, deposits and other receivables	**3,361**	1,608
Decrease in amount from a minority shareholder	**40**	–
Decrease in inventories	**1,552**	–
(Decrease) increase in trade payables	**(3,160)**	3,160
Decrease in other payables and accruals	**(750)**	(726)
Decrease in deposit received	**–**	(5)
Increase in contract liabilities	**1,095**	–
Decrease in amount due to a director	**–**	(19)
Cash used in operations	**(3,335)**	(12,633)
Income tax paid	**–**	(357)
NET CASH USED IN OPERATING ACTIVITIES	**(3,335)**	(12,990)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1)**	(50)
Bank interest received	**–**	1
NET CASH USED IN INVESTING ACTIVITIES	**(1)**	(49)
FINANCING ACTIVITIES		
New borrowing raised	**16,500**	12,500
Repayment of borrowing	**(13,500)**	(12,000)
Interest paid	**(734)**	(83)
NET CASH FROM FINANCING ACTIVITIES	**2,266**	417
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,070)**	(12,622)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**3,216**	15,838
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**2,146**	3,216

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 office 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 2018, the Group was principally engaged in investment holding, trading of motor vehicles and parts and money lending business.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Interpretation ("Int") 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*
Amendments to Hong Kong Accounting Standard ("HKAS") 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New and amendments to HKFRSs that are mandatorily effective for the current year – Continued

HKFRS 9 *Financial instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of HKFRS 9

(a) *Classification and measurement of financial assets and financial liabilities*

All financial assets and liabilities continued to be measured on the same basis as were previously measured under HKAS 39.

(b) *Impairment under ECL model*

The Group applies HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward looking estimates. The directors of the Company (the "Directors") have assessed the additional ECL allowance on trade receivables as at 1 January 2018 and considered the amount is insignificant based on internal credit rating on individual assessment and therefore it did not result in an adjustment of opening accumulated losses.

Loss allowances for financial assets at amortised cost other than trade receivable mainly comprise of loan and interest receivables, deposits and other receivables and bank balances, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition, except for certain other receivables and deposit paid which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition. For bank balances, the Group transacts with reputable banks with high credit rating assigned by international credit-rating agencies and consider the risk of default is low and 12m ECL is insignificant.

Based on the assessment by the management of the Company, the ECL on other financial assets at amortised cost is insignificant and therefore it did not result in an adjustment of opening accumulated losses.

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

New and amendments to HKFRSs that are mandatorily effective for the current year – Continued

HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from trading of motor vehicles and parts which arise from contracts with customers:

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 6 and 3 respectively.

There is no significant impact on the Group's financial position and financial result upon initial application of HKFRS 15 at 1 January 2018. Comparative information continues to be reported under HKASs 11 and 18.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Current liabilities			
Contract liabilities	1,095	(1,095)	–
Other payables and accruals	2,106	1,095	3,201

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

New and amendments to HKFRSs that are mandatorily effective for the current year – Continued

HKFRS 15 *Revenue from Contracts with Customers* – Continued

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Operating activities			
Increase in contract liabilities	1,095	(1,095)	–
Decrease (increase) in other payables and accruals	(750)	1,095	345

The adoption of HKFRS 15 has no impact to the consolidated statement of profit or loss and other comprehensive income.

New and amendments to HKFRSs in issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2020.

4 Effective for annual periods beginning on or after 1 January 2021.

5 Effective for annual periods beginning on or after a date to be determined.

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

New and amendments to 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 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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 and operating cash flows respectively by the Group.

Other than certain requirements which are also applicable to lessor, 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.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group does not have non-cancellable operating lease commitment as disclosed in Note 31 to the consolidated financial statements.

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.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

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 in 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3.2 Investment in a joint venture

A joint venture is a joint arrangement whereby the party that has joint control of the arrangement has 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 party sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.2 Investment in a joint venture – Continued

The results and assets and liabilities of the joint venture is incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes is 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 Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, 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.

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 HKFRS 9/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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.2 Investment in a joint venture – Continued

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint ventures or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to a 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 from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

Under HKFRS 15, the Group recognised 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 customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.3 Revenue recognition – Continued

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) – Continued

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.3 Revenue recognition – Continued

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) – Continued

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Revenue recognition (prior to 1 January 2018)

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.

Dividend income from investments is recognised when rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.4 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, 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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.4 Leases – Continued

The Group as lessee – Continued

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.

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. 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. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.6 Borrowing costs

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

3.7 Retirement benefit costs and termination benefits

(a) Retirement benefit costs

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

(b) 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.

3.8 Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax 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 (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.8 Taxation – Continued

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

3.9 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.

3.10 Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these 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).

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.10 Impairment on tangible assets – Continued

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount 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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on specific identification. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.12 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).

3.13 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchase or sales of financial assets are recognised and derecognised on a trade 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which is derived from the Group's ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.13 Financial instruments – Continued

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (the "OCI").

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.13 Financial instruments – Continued

Financial assets – Continued

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) – Continued

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, loan and interests receivables, deposits and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.13 Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) – Continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.13 Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) – Continued

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets being written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.13 Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) – Continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loan and interest receivables are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

Grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, loan and interest receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.13 Financial instruments – Continued

Financial assets – Continued

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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.

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.

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 (before application of HKFRS 9 on 1 January 2018)

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;
- 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 and/or observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.13 Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) – Continued

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.

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

3.13 Financial instruments – Continued

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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.

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.

Critical judgment in applying accounting policies

The following is the critical judgment, 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.

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

Critical judgment in applying accounting policies – Continued

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 20 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 2018 and 2017.

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

Key sources of estimation uncertainty – Continued

(c) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on past-due as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 5(b) and 18 respectively.

(d) Estimated impairment for loan and interest receivables

Impairment loss on loan and interest receivables represent management's best estimate of losses incurred in the loan portfolio at the reporting date under ECL models. Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition. The Group is required to exercise judgement in making assumptions and estimates when calculating loan's impairment loss, including any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans portfolio and historical loss experience on the basis of the relevant observable data that reflects current economic conditions.

The measurement of the ECL involves significant management judgment and assumptions, primarily including the selection of appropriate models and determination of relevant key measurement parameters, criteria for determining whether or not there was a significant increase in credit risk or a default was incurred, economic indicators for forward-looking measurement, and the application of economic scenarios and weightings, management consideration due to significant uncertain factors not covered in the models and the estimated future cash flows.

The information about the ECL and the Group's loan and interest receivables are disclosed in Notes 5(b) and 19 to the consolidated financial statements.

(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 2018, no write-down of inventories (2017: write-down of inventories of approximately HK$774,000) 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

	2018 HK$'000	2017 HK$'000
Loans and receivables		
Trade receivables	9,386	17,699
Loan and interest receivables	1,527	2,500
Deposits and other receivables	388	3,708
Amount due from a minority shareholder	–	40
Bank balances and cash	2,146	3,216
	13,447	27,163

(ii) Financial liabilities

	2018 HK$'000	2017 HK$'000
At amortised cost		
Trade payables	–	3,160
Other payables and accruals	2,106	2,856
Amount due to a director	8	8
Bank borrowing	15,500	12,500
	17,614	18,524

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 2018 and 31 December 2017 are as follow:

	Assets	
	2018	2017
	HK$'000	HK$'000
Euro ("EUR")	**4,644**	4,355
United Stated Dollars ("USD")	**–**	2,493
British Pound ("GBP")	**–**	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.

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Market risk – Continued

(i) Currency risk – Continued

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 rate. 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.

	2018	2017
	HK$'000	HK$'000
Increase in post-tax in loss for the year:		
EUR	**232**	218
GBP	**–**	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

As at 31 December 2018, the Group's exposure to the risk of changes in market interest rate relates primarily to the Group's bank balances, loan and interest receivables, and bank borrowing with variable-rate interest rates which expose the Group to cash flow interest rate risk. As at 31 December 2017, loan and interest receivables at fixed-rates exposes the Group to fair value interest rate risk.

The interest rates of loan and interest receivables and bank borrowing of the Group are disclosed in Notes 19 and 27 respectively, to the consolidated financial statement. 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.

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Market risk – Continued

(ii) Interest rate risk – Continued

Total interest income from financial assets that are measured at amortised cost is as follow:

	2018 HK$'000	2017 HK$'000
Interest revenue		
Loan and receivables	**625**	1,545
Other income		
Bank balances and cash	**–**	1
Total interest income	**625**	1,546

Interest expense on financial liabilities not measured at FVTPL:

	2018 HK$'000	2017 HK$'000
Financial liabilities at amortised cost	**734**	83

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Market risk – Continued

(ii) Interest rate risk – Continued

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. The analysis is prepared assuming the financial instrument outstanding at the end of the reporting period were outstanding the whole year. A 100 basis points (2017: 100 basis points) increase or decrease in variable-rate bank borrowings and loan receivables are used represents management assessment of the reasonably possible changes in interest rate. Bank balances are excluded from sensitivity analysis as the Directors of the Company 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
2018	**100**	**140**
2017	100	125

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. Although the loans receivables are secured over properties, the credit risk is not migrated as these security are forth-mortgaged.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

As at 31 December 2017, the Directors reviewed that recoverability of each trade receivables, loan and interest receivables and other receivables to ensure that adequate impairment losses are provided for irrecoverable amounts.

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Starting from 1 January 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The Group has concentration of credit risk in trading of motor vehicles segment as 100% (2017: 100%) of the total trade receivables was due from the Group's three customers (2017: two customers).

The Group has concentration of credit risk as 100% (31 December 2017: 100%) was due from the Group's one customer (2017: one customer) within the money lending segment.

As at 31 December 2018, 100% of the unsecured loan and interest receivables was due from one customer for the Group's money lending business.

As at 2017, 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 loan and interest receivables was due from one customer for the Group's money lending business.

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settled after due date	Lifetime ECL not credit-impaired	12-month ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating that asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2018	*Note*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount
					HK$'000
Financial asset at amortised cost					
Trade receivables	*18*	N/A	note 2	Lifetime ECL (provision matrix)	12,259
Loan and interest receivables	*19*	N/A	Low risk	12-month ECL	1,527
Other receivables	*21*	N/A	note 1	12-month ECL	3
Bank balances	*22*	Aa1 – A3	Low risk	12-month ECL	2,146

Notes:

(1) For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	Not past due/ No fixed repayment terms	Total
	HK$'000	HK$'000	HK$'000
Other receivables	–	3	3

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Notes: – Continued

(2) For trade receivables, the Group has applied the simplified approach in HFKRS 9 to measure the loss allowance at lifetime ECL. Except the debtor with significant outstanding balances or credit-impaired, the Group determines the expected credit loss on these items by using provision matrix grouped by past-due matrix.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its trading of motor vehicles operation because these customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit-impaired).

Gross carrying amounts

	Average loss rate	**Trade receivables**
		HK$'000
1 – 30 days past-due	18.68%	5,711
Over 90 days past-due	27.58%	6,548
		12,259

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
As at 31 December 2017 under HKAS39 and as at 1 January 2018	–
Changes due to financial instrument recognised as at 1 January 2018	
– Impairment losses recognised	1,806
New financial assets originated, net of settlement	1,067
As at 31 December 2018	2,873

Changes in the loss allowance for trade receivables are mainly due to:

	2018 Increase in lifetime ECL (not credit-impaired) HK$'000
New financial assets originated	1,067
Changes in risk parameters	1,806
	2,873

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of Directors of the Company (the "Board"), 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.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

5. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Liquidity risk – Continued

The Group relies on bank borrowing as a significant source of liquidity. As at 31 December 2018, the Group has available unutilised revolving loan facilities of HK$7,500,000 (31 December 2017: HK$10,500,000). Details of which are set out in Note 27.

The following table details the Group's remaining contractual maturity for its financial liabilities. 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 table includes 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	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000
2018				
Other payables and accruals	**N/A**	**2,106**	**2,106**	**2,106**
Amount due to a director	**N/A**	**8**	**8**	**8**
Bank borrowing	**4%**	**16,120**	**16,120**	**15,500**
		18,234	**18,234**	**17,614**
2017				
Trade payable	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

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 parts and money lending business. The following is an analysis of the Groups' revenue.

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers		
Trading of motor vehicles and parts	**18,332**	31,873
Interest income from provision of loan financing	**625**	1,545
	18,957	33,418

Disaggregation of Revenue from contracts with customers

	Trading of motor vehicles and parts HK$'000
For the year ended 31 December 2018	
Major products	
Left-hand drive car	154
Right-hand drive car	11,091
Parts	7,087
	18,332
Geographical markets	
Hong Kong	18,332
Timing of revenue recognition	
A point in time	18,332

The performing obligation is satisfied upon delivery of goods and payment is generally settled by cash on delivery or due within 3 months from delivery.

All revenue contracts are for period of one year or less. As permitted by HKFRS15, the transaction price allocated to the unsatisfied contracts are not disclosed.

7. OPERATING SEGMENTS

Information reported to 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 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 and parts
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 2018

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Revenue	18,332	625	18,957
Segment results	(9,232)	78	(9,154)
Unallocated corporate income			151
Unallocated corporate expenses			(6,200)
Finance costs			(734)
Share of loss of a joint venture			(2)
Loss before tax			(15,939)

7. OPERATING SEGMENTS – Continued

Segment revenue and results – Continued

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)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years ended 31 December 2018 and 2017.

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, 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. OPERATING SEGMENTS – 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 2018

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Segment assets	**16,804**	**1,729**	**18,533**
Unallocated corporate assets			**14,063**
Consolidated assets			**32,596**
Segment liabilities	**2,429**	**–**	**2,429**
Unallocated corporate liabilities			**16,280**
Consolidated liabilities			**18,709**

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

7. OPERATING SEGMENTS – 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, amount due from a monitory shareholder, 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 and bank borrowing.

Other segment information

For the year ended 31 December 2018

	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	–	1	62	63
Additions to property, plant and equipment	–	–	1	1
Bad debt written off	2,491	–	–	2,491
Impairment loss on trade receivables recognised in profit or loss	2,873	–	–	2,873
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
Finance costs	–	–	734	734
Share of loss of a joint venture	–	–	2	2

7. OPERATING SEGMENTS – Continued

Other segment information – Continued

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

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.

	2018 HK$'000	2017 HK$'000
The PRC	**–**	2,493
Hong Kong	**18,957**	30,925
	18,957	33,418

Information about major customers

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

	2018 HK$'000	2017 HK$'000
Customer A	**–**	12,051
Customer B	**–**	16,689
Customer C	**8,707**	–
Customer D	**8,558**	–

All revenue is from trading of motor vehicles.

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowing	734	83

9. INCOME TAX EXPENSE (CREDIT)

	2018 HK$'000	2017 HK$'000
Hong Kong:		
– Under/(over) provision in prior years	49	(20)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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% for both years.

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.

9. INCOME TAX EXPENSE (CREDIT) – Continued

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

	2018 HK$'000	2017 HK$'000
Loss before tax	**(15,939)**	(10,813)
Tax at the domestic income tax rate of 16.5% (2017: 16.5%)	**(2,629)**	(1,784)
Tax effect of income not taxable for tax purpose	**(25)**	–
Tax effect of expenses not deductible for tax purpose	**623**	73
Tax effect of tax losses not recognised	**2,042**	1,722
Tax effect of temporary differences not recognised	**(11)**	(11)
Under (over) provision in respect of prior year	**49**	(20)
Income tax expense (credit) for the year	**49**	(20)

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2018 HK$'000	2017 HK$'000
Auditor's remuneration		
– Audit services	**480**	480
– Other services	**118**	193
	598	673
Cost of inventories recognised as an expense	**18,293**	31,204
Amortisation of prepaid lease payment	**381**	381
Depreciation of property, plant and equipment	**63**	63
Write-down of inventories included in administrative expenses	**–**	774
Bad debt written off	**2,491**	–
Minimum lease payments under operating lease in respect of rented premises	**810**	1,080
Exchange loss	**469**	–
Staff costs (including directors' emoluments) *(Note 11)*	**4,034**	3,081

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

	2018 HK$'000	2017 HK$'000
Salaries, bonuses and allowances	3,905	2,972
Contributions to retirement benefits scheme	124	96
Provision for annual leave payments	5	13
	4,034	3,081

The five highest paid employees of the Group during the year included three directors (2017: three directors), details of whose emoluments are set out in Note 12 below. Details of the emoluments for the year of the remaining two (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, bonuses and allowances	1,080	814
Contributions to retirement benefits scheme	36	30
	1,116	844

The emoluments of each of the above employees were less than HK$1,000,000 during the two years ended 31 December 2018 and 2017.

During the two years ended 31 December 2018 and 2017, 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.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	For the year ended 31 December 2018			
	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
Executive director and chief executive				
Mr. Chan Chun Choi	600	–	–	600
Executive directors				
Ms. Lo So Wa, Lucy	–	480	18	498
Mr. Chan Kingsley Chiu Yin	–	360	18	378
Sub-total	600	840	36	1,476
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	900	840	36	1,776

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

	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

12. 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 for the year ended 31 December 2017.

(iv) During the two years ended 31 December 2018 and 2017, 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 2018 and 31 December 2017.

13. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

14. 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$16,015,000 (2017: HK$10,482,000) and the weighted average of 859,146,438 (2017: 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 2018 and 2017.

15. 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 2017	2,661	1,380	670	110	4,821
Additions	–	50	–	–	50
At 31 December 2017	2,661	1,430	670	110	4,871
Additions	–	–	–	1	1
Disposal	–	(1,380)	(57)	(13)	(1,450)
At 31 December 2018	**2,661**	**50**	**613**	**98**	**3,422**
ACCUMULATED DEPRECIATION					
At 1 January 2017	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
Provided for the year	48	11	–	4	63
Written-back	–	(1,380)	(57)	(13)	(1,450)
At 31 December 2018	**1,259**	**19**	**613**	**93**	**1,984**
CARRYING VALUES					
At 31 December 2018	**1,402**	**31**	**-**	**5**	**1,438**
At 31 December 2017	1,450	42	–	8	1,500

15. 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 2018, the building with a carrying value of approximately HK$1,402,000 (2017: HK$1,450,000) 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 2018 and 2017.

16. PREPAID LEASE PAYMENT

	HK$'000
COST	
At 1 January 2017, 31 December 2017 and **31 December 2018**	**20,945**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2017	9,140
Amortisation for the year	381
At 31 December 2017	9,521
Amortisation for the year	381
At 31 December 2018	**9,902**
CARRYING VALUES	
At 31 December 2018	**11,043**
At 31 December 2017	11,424

16. PREPAID LEASE PAYMENT – Continued

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Non-current asset	**10,662**	11,043
Current asset	**381**	381
	11,043	11,424

During the year ended 31 December 2018, the prepaid lease payment with a carrying value of approximately HK11,043,000 (2017: HK$11,424,000) 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 2018 and 2017.

17. INVENTORIES

	2018 HK$'000	2017 HK$'000
Second hand left-hand-drive motor vehicles	**–**	637
Right-hand-drive motor vehicles	**2,952**	3,867
	2,952	4,504

18. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables		
Trading of motor vehicles	**12,259**	17,699
Less: Allowance of credit losses	**(2,873)**	-
Total trade receivables	**9,386**	17,699

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to approximately HK$12,259,000 and HK$17,699,000 respectively.

The amount outstanding on trade receivables that were written off during the year ended 31 December 2018 and are still subject to enforcement action amounted approximately to HK$2,491,000 (2017: Nil).

The Group's trade terms with its trade customers are settled by cash-on-delivery to up to 3 months upon delivery. The following is an aged analysis of trade receivables, net of allowance of credit losses, presented based on dates of delivery of goods:

	2018 HK$'000	2017 HK$'000
0 – 30 days	**–**	15,206
31 – 60 days	**–**	2,493
61 – 365 days	**4,644**	–
Over 365 days	**4,742**	–
	9,386	17,699

18. TRADE RECEIVABLES – Continued

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK4,742,000 which are past due as at the reporting date and which has been past due 90 days or more and is not considered as in default as the Group has considered the historical payments record of the customer and assessed the forward looking information including the ongoing correspondence and future settlement plan with the customer. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in Note 5.

As at 31 December 2017, the Group did not provide any allowance in the past due receivables of approximately HK$17,699,000 as the amounts were considered recoverable.

As at 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$17,699,000 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

	2018 **HK$'000**	2017 HK$'000
1 – 30 days	**4,644**	15,206
31 – 365 days	**–**	2,493
Over 365 days	**4,742**	–
	9,386	17,699

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

	2018 **'000**	2017 '000
USD	**–**	318
EUR	**519**	609

19. LOAN AND INTEREST RECEIVABLES

	2018 HK$'000	2017 HK$'000
Fixed-rate loan and interest receivables		
– Secured		
Loan receivable	**–**	2,500
Interest receivables	**–**	–
	–	2,500
Variable-rate loan and interest receivables		
– Unsecured		
Loan receivable	**1,500**	–
Interest receivables	**27**	–
	1,527	–
	1,527	2,500
Analysed as:		
Current	**1,527**	2,500

19. LOAN AND INTEREST RECEIVABLES – Continued

Loan receivables comprise:	Maturity date	Collateral	Effective interest rate	Carrying amount 2018 HK$'000	2017 HK$'000
HK$1,500,000 variable-rate loan receivable	9/02/2019	Property at Hong Kong*	Prime + 25%	**1,527**	–
HK$2,500,000 fixed-rate loan receivable	11/01/2018	Property at Hong Kong	30%	**-**	2,500
				1,527	2,500

* As the loan receivables is secured as fourth-mortgage, therefore this is considered as unsecured.

The loan and interest receivables outstanding as at 31 December 2018 and 2017 are denominated in HK$.

20. INTEREST IN A JOINT VENTURE

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

	2018 HK$'000	2017 HK$'000
Cost of investment in an unlisted joint venture in Hong Kong	**502**	502
Share of post-acquisition loss and other comprehensive expense, net of dividends received	**(2)**	–
	500	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.

20. 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
		2018	2017	**2018**	2017	
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

	2018 HK$'000	2017 HK$'000
Current assets	**981**	984
The above amounts of assets include the following:		
Cash and cash equivalents	**981**	984
Revenue	**–**	–
Loss and total comprehensive expenses for the year	**(3)**	(1)
Dividends received from Victory Investment Holdings Limited during the year	**–**	–

20. INTEREST IN A JOINT VENTURE – Continued

Summarised financial information of the joint venture – Continued

Victory Investment Holdings Limited – Continued

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:

	2018	2017
	HK$'000	HK$'000
Net assets of Victory Investment Holdings Limited	**981**	984
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	**500**	502

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Other receivables *(Note a)*	**3**	3,306
Deposits	**385**	402
Other prepayments	**69**	48
Purchase deposits *(Note b)*	**3,118**	3,180
Total prepayments, deposits and other receivables	**3,575**	6,936

Notes:

(a) 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").

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – Continued

Notes: – Continued

(a) – Continued

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

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). The amount due is unsecured, non-interest bearing and repayment on demand. The amount was fully settled during the year ended 31 December 2018.

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

	2018	2017
	'000	'000
USD	**–**	309
GBP	**–**	60

The Group does not hold any collateral over these balances.

22. BANK BALANCES AND CASH

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

23. TRADE PAYABLES

	2018	2017
	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:

	2018	2017
	HK$'000	HK$'000
61 – 90 days	**–**	3,160

24. OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Accruals	**1,889**	2,117
Other payables	**217**	739
	2,106	2,856

25. CONTRACT LIABILITIES

	31/12/18 HK$'000	1/1/18 HK$'000
Trading of motor vehicles and parts	**1,095**	–

Typical payment term which impact on the amount of contract liabilities recognised is as follows:

Trading of motor vehicles and parts

When the Group receives a deposit before the goods are delivered to its customers, this will give rise to contract liabilities at the start of a contract, until the customer received the goods. The Group typically receives a 10% deposit on acceptance of contract.

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

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

Name of company	2018 HK$'000	Maximum amount outstanding during the year HK$'000	2017 HK$'000
Hero Mark Inc Limited	–	40	40

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

27. BANK BORROWING

	2018 HK$'000	2017 HK$'000
Secured borrowing – repayable within one year	15,500	12,500

As at 31 December 2018 and 2017, the bank borrowing is secured by a mortgage over the Group's building and prepaid lease payment (Notes 15 and 16) 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 (2017: 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$232,495,000 (2017: HK$220,118,000). 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 difference of HK$69,000 (2017 HK$68,000). No deferred tax 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 2017 and			
31 December 2018	**0.001**	**152,055,864,000**	**152,056**
Issued and fully paid:			
At 31 December 2017 and			
31 December 2018	**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.

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.

30. SHARE OPTION SCHEME – Continued

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. OPERATING LEASES

The Group as lessee

	2018	2017
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year:		
– Premises	**–**	1,080

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:

	2018	2017
	HK$'000	HK$'000
Within one year	**–**	270

The Group leases premises under an operating lease. As at 31 December 2018, the Group has no commitments under operating leases. As at 31 December 2017, the lease ran for an initial period of 1 year, with an option to renew the lease of the expiry date or at dates agreed mutually between the Group and the landlord. The leases does not include contingent rent.

32. 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 12 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.

33. 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.

34. 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 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Proportion of voting power held by the Company Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Principal activities
Victory Group (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary	HK$100,000	**100%**	100%	**-**	–	**100%**	100%	**-**	–	Investment holding
Victory Motors Centre Limited	Hong Kong	Ordinary	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 (China) Trading Limited	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.

34. 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	
		2018	2017	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Wakit Motors Limited	Hong Kong	**40%**	40%	**(1)**	(311)	**(1,648)**	(1,647)
Individually immaterial subsidiary with non-controlling interest				**28**	–	**2**	(26)
				27	(311)	**(1,646)**	(1,673)

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.

34. PARTICULARS OF SUBSIDIARIES – Continued

Wakit Motors Limited

	2018 HK$'000	2017 HK$'000
Current assets	**3,035**	3,988
Current liabilities	**(7,155)**	(8,105)
Equity attributable to owners of the Company	**(2,472)**	(2,470)
Non-controlling interests	**(1,648)**	(1,647)
Revenue	**914**	–
Expenses	**(917)**	(778)
Loss and total comprehensive expenses attributable to owners of the Company	**(2)**	(467)
Loss and total comprehensive expenses attributable to non-controlling interests	**(1)**	(311)
Loss and total comprehensive expenses for the year	**(3)**	(778)
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(3)**	(24)
Net cash outflow from investing activities	**–**	–
Net cash outflow from financing activities	**–**	–
Net cash outflow	**(3)**	(24)

35. 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	**Interest payable (included in other payables)**	**Total**
	HK$'000	HK$'000	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 8)*	–	83	83
At 31 December 2017	12,500	–	12,500
Changes from cash flows:			
Repayment of bank borrowing	(13,500)	–	(13,500)
New borrowing	16,500	–	16,500
Interest paid	–	(734)	(734)
Non-cash changes:			
Interest expenses *(Note 8)*	–	734	734
At 31 December 2018	**15,500**	**-**	**15,500**

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**4**	7
Interests in subsidiaries	*a*	**43,275**	26,832
		43,279	26,839
CURRENT ASSETS			
Prepayments and deposits paid		**385**	196
Amount due from a director		**609**	609
Bank balances and cash		**554**	252
		1,548	1,057
CURRENT LIABILITIES			
Other payables and accruals		**772**	857
Amount due to subsidiaries		**60,837**	–
		61,609	857
NET CURRENT (LIABILITIES) ASSETS		**(60,061)**	200
NET (LIABILITIES) ASSETS		**(16,782)**	27,039
CAPITAL AND RESERVES			
Share capital		**859**	859
Reserves	*b*	**(17,641)**	26,180
TOTAL (DEFICIT) EQUITY		**(16,782)**	27,039

The Company's statement of financial position was approved and authorised for issue by the board of directors on 25 March 2019 and are signed on its behalf by:

Chan Chun Choi
DIRECTOR

Lo So Wa Lucy
DIRECTOR

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – Continued

Notes:

(a) Interests in subsidiaries

	2018 **HK$'000**	2017 HK$'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 (2017: 4%)	**12,226**	16,309
Non-interest bearing	**214,416**	154,132
	226,642	170,441
Less: Accumulated provision for impairment	**(183,367)**	(143,609)
	43,275	26,832

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 2017	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
Loss and total comprehensive expense for the year	–	–	(43,821)	(43,821)
At 31 December 2018	**158,099**	**64,809**	**(240,549)**	**(17,641)**

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				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
Revenue	**18,957**	33,418	4,902	10,985	30,216
Loss Before tax	**(15,939)**	(10,813)	(12,866)	(18,595)	(22,495)
Income tax (expense) credit	**(49)**	20	(28)	(340)	(52)
Loss and total comprehensive expense for the year	**(15,988)**	(10,793)	(12,894)	(18,935)	(22,547)
Loss and total comprehensive expense attributable to					
Owners of the Company	**(16,015)**	(10,482)	(12,177)	(18,846)	(21,967)
Non-controlling interest	**27**	(311)	(717)	(89)	(580)
	(15,988)	(10,793)	(12,894)	(18,935)	(22,547)

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
Non-current assets	**12,600**	13,045	14,903	15,534	20,810
Current assets	**19,996**	35,354	41,678	47,844	68,987
Current liabilities	**(18,709)**	(18,524)	(15,913)	(9,816)	(17,295)
Net current assets	**1,287**	16,830	25,765	38,028	51,692
Total assets less current liabilities	**13,887**	29,875	40,668	53,562	72,502
Non-current liabilities	**-**	–	–	–	–
Net assets	**13,887**	29,875	40,668	53,562	72,502