VICTORY GROUP LIMITED

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

2019
ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

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

Industrial and Commercial Bank of China (Asia) Limited
G/F, Tsan Yung Mansion
No. 70 Waterloo Road
Ho Man Tin
Kowloon

AUDITORS

Asian Alliance (HK) CPA Limited
8/F Catic Plaza
8 Causeway Road
Causeway Bay
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 54
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 1609 New East Ocean Centre
9 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

STOCK CODE

1139

Profiles of Directors

EXECUTIVE DIRECTORS

Mr. Chan Chun Choi, aged 74, 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 33, 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 50, graduated from the Beijing Foreign Studies University in 1999, and Ms. Lo obtained her Master of Business Administration (MBA) degree from the University of Ballarat in Australia in 2003. She joined a company primarily engaged in LED business, as a deputy general manager for three years. Ms. Lo was appointed an executive director of the Company on 6 October 2003. Ms. Lo is the spouse of Mr. Chan Chun Choi, an executive director. Ms. Lo did not act as a director in any other listed public company in the last three years.

Profiles of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Ka Keung, aged 51, 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 49, 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 47, 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.

Chairman's Statement

Dear Shareholders,

I hereby present the annual report for the year ended 31 December 2019 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 2019, the Group recorded a revenue of approximately HK$423,000 for the year (2018: HK$18,957,000). Net loss attributable to shareholders of the Company for the year was approximately HK$16,774,000 (2018: HK$16,015,000).

The Board did not recommend to pay any dividend for the year ended 31 December 2019 (2018: 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. The Company had submitted a Resumption Proposal to the Stock Exchange on 16 August 2019. On 7 February 2020, the Company received a letter from the Stock Exchange which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal (but not any other proposal) on or before 19 June 2020. If the Company fails to do so or the Resumption Proposal fails to proceed for any reasons, the Stock Exchange will proceed with cancelling the Company's listing.

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, 27 March 2020

RESULTS

The Group had revenue of approximately HK$423,000 (2018: HK$18,957,000) for the year ended 31 December 2019. Net loss attributable to owners of the Company for the year was approximately HK$16,774,000 (2018: HK$16,015,000).

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 2019 was worse caused by the weakness of business environment. It including increase of approximately HK$2,859,000, HK$462,000, HK$835,000 and HK$105,000 in administrative expenses, impairment loss on loan and interest receivables, impairment loss on other receivables and finance costs respectively, and decrease of approximately HK$241,000, HK$116,000, HK$3,000 and HK$3,598,000 in gross profit, other income, selling and distribution expenses and impairment loss on trade receivables 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 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 2019 was 0.32 (2018: 1.07). The gearing ratio resulting from a comparison of the total borrowings with total equity of the Group at 31 December 2019 was -5.91 (2018: 1.12), the borrowing and bank overdraft at 31 December 2019 was HK$18,000,000 (2018: HK$15,500,000) and approximately HK$136,000 (2018: Nil), respectively. Details of the Group's exposure to credit risk, liquidity risk, currency risk, interest rate risk and any related hedges are stated in note 6(b) to the consolidated financial statements.

At as 31 December 2019 the Group had loan and interest receivables amounted to approximately HK$879,000 (2018: HK$1,527,000), trade receivables amounted to approximately HK$2,270,000 (2018: HK$9,386,000) and had no trade payables (2018: Nil). There had inventories amounted to approximately HK$2,500,000 as at 31 December 2019 (2018: HK$2,952,000).

As at 31 December 2019, the Group's net current liabilities amounted to approximately HK$15,604,000 (2018: net current assets amounted to approximately HK$1,287,000) and net liabilites amounted to approximately HK$3,068,000 (2018: net assets amounted to approximately HK$13,887,000). At the same day, the Group's bank balances and cash amounted to approximately HK$14,000 (2018: HK$2,146,000), and bank overdraft amounted to approximately HK$136,000 (2018: Nil). The bank borrowing at 31 December 2019 was HK$18,000,000 (2018: HK$15,500,000).

CHARGES ON ASSETS

As at 31 December 2019, the Group had pledged building and right-of-use assets with an aggregate carrying amount of approximately HK$12,016,000 (2018: HK$12,445,000) to secure banking facilities and other borrowings granted to the Group. The bank borrowing at 31 December 2019 was HK$18,000,000 (2018: HK$15,500,000).

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment during the year ended 31 December 2019.

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. All the non-current assets of the Group are located in Hong Kong.

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

HUMAN RESOURCES

As at 31 December 2019, the Group had a total of 7 (2018: 13) employees, of whom six 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$3,715,000 (2018: HK$4,034,000). 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") and the Group is not subjected to foreign currency exposure as there was no financial assets and liabilities which were denominated in currencies other than the functional currencies of the Group entities as at 31 December 2019.

CONTINGENT LIABILITIES

At 31 December 2019, neither the Group nor the Company had any significant contingent liabilities.

CAPITAL COMMITMENT

At 31 December 2019, 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).

As disclosed in the announcement of the Company dated 8 August 2019, the Company and the Vendor entered into the Sale and Purchase Agreement with Vendor. The Company had submitted a Resumption Proposal to the Stock Exchange on 16 August 2019, setting out, among other things, actions taken and proposed to be taken by the Company to fulfill the Resumption Conditions. On 7 February 2020, the Company received a letter from the Stock Exchange which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal (but not any other proposal) on or before 19 June 2020. If the Company fails to do so or the Resumption Proposal fails to proceed for any reasons, the Stock Exchange will proceed with cancelling the Company's listing.

FUTURE OUTLOOK

As stated in the announcements dated 14 February 2020, the Company received a letter from the Stock Exchange on 7 February 2020, which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal (but not any other proposal) on or before 19 June 2020. If the Company fails to do so or the Resumption Proposal fails to proceed for any reasons, the Stock Exchange will proceed with cancelling the Company's listing.

As the Acquisition (i) constitutes a very substantial acquisition and a reverse takeover involving a new listing application of the Company under the Listing Rules; and (ii) has implications under the Code on Takeovers and Mergers in Hong Kong, the Company will publish a further announcement providing details of the terms and conditions of the Acquisition.

Upon successfully reorganization, the Group will have adequate resources to continue with sustainable business operations. The Board 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.

Report of the Directors

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 December 2019.

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$423,000.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 51 to 117.

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

DIVIDEND POLICY

This dividend policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

Principles and Guidelines

- The Board adopt the policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.
- The Company do not have any pre-determined dividend payout ratio.
- The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles of the Association of the Company and all applicable laws and regulations and the factors set out below.
- The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:
  - financial results;
  - cash flow situation;
  - business conditions and strategies;
  - future operations and earnings;
  - capital requirements and expenditure plans;
  - interests of shareholders;
  - any restrictions on payment of dividends; and
  - any other factors that the Board may consider relevant.

- Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:
  - interim dividend;
  - final dividend;
  - special dividend; and
  - any distribution of net profits that the Board may deem appropriate.
- Any final dividend for a financial year will be subject to shareholders' approval.
- The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.
- Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Articles of Association.

The Board will review this dividend policy as appropriate from time to time.

SEGMENT INFORMATION

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for approximately 100% of the sales and the largest customer accounted for approximately 100% of sales for the year under review.

The Group had no purchase 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 RIGHT-OF-USE ASSETS

Details of movements in property, plant and equipment and right-of-use assets of the Group are set out in Notes 16 and 17 to the consolidated financial statements respectively.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in Note 34 to the consolidated financial statements.

BORROWINGS

Details of the Group's borrowings are set out in Note 28 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 30 to 31 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 2018	158,099	710	(4)	(128,116)	30,689	(1,673)	29,016
Loss for the year, representing total comprehensive expense 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
Loss for the year, representing total comprehensive expense for the year	–	–	–	(16,774)	(16,774)	(181)	(16,955)
At 31 December 2019	**158,099**	**710**	**(4)**	**(160,905)**	**(2,100)**	**(1,827)**	**(3,927)**

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

(b) The Company

The amounts of the Company's reserves and the movements therein for the current and prior year are presented in the note 37(a) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2019, 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 2019.

CONTINGENT LIABILITIES

At 31 December 2019, 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 2019.

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 2019, the Group had a total of 7 (2018: 13) 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$3,715,000 (2018: HK$4,034,000). 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 2019, the Group had pledged building and right-of-use assets with an aggregate carrying amount of approximately HK$12,016,000 (2018: HK$12,445,000) to secure banking facilities and other borrowings granted to the Group. The bank borrowing at 31 December 2019 was HK$18,000,000 (2018: HK$15,500,000).

PROPERTY VALUATION

A property valuation had been carried out by Roma Appraisals Limited, an independent professional valuer, in respect of the Group's right-of-use assets and building. The Group's right-of-use assets and building were valued at HK$34,220,000 and HK$2,180,000 respectively (2018: land lease prepayment and building HK$33,900,000 and HK$2,280,000 respectively) giving no impairment loss on right-of-use assets 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, Ms. Lo So Wa Lucy and Mr. Cheung Man Fu, shall retire from their offices and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

DIRECTORS BIOGRAPHIES

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

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of the Directors and the five highest paid individuals in the Group are set out in Notes 13 and 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 31 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, 27 March 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

This report is a product of the Company's compliance with all relevant recommendations laid down in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The Company is committed to maintain a high standard of corporate governance practices and procedures. The Board believes that good corporate governance helps the Company safeguard the interests of its stakeholders and improve the performance of the Group. During the year under review, the Company had complied with all the applicable code provisions (the "Code Provisions") set out in Corporate Governance Code contained in Appendix 14 to the Listing Rules except for the deviation from the code provisions A.2.1 and A.4.2.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Chan Chun Choi held the offices of chairman and CEO of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. The Company had made specific enquire of all directors whether the directors have complied with or whether there has been any noncompliance with the required standard set out in the Model Code during the year. The Company satisfied that all directors had fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

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

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

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 and Dr. Lam King Hang, being Independent Non-Executive Directors, has served the Company for more than nine years. The Nomination Committee considered that their long service will not affect their exercise of independent judgment and was satisfied that they have 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 and Dr. Lam King Hang, the Board is of the view that they 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, six board meetings and one annual general meeting (the "AGM") were held and the attendance summary is as below:

Name of Director	**Board Meetings Number of attendance/Total**	**AGM Number of attendance/Total**
Chan Chun Choi	6/6	1/1
Chan Kingsley Chiu Yin	5/6	1/1
Lo So Wa Lucy	5/6	1/1
Ip Ka Keung	6/6	1/1
Lam King Hang	6/6	1/1
Cheung Man Fu	5/6	1/1

RE-ELECTION OF DIRECTORS

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

DIRECTOR'S TRAINING

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

The Directors are committed to complying with the Code Provision A6.5 on Directors' training. All Directors have participated in continuous professional development and provided their records of training they received to the Company for the financial year ended 31 December 2019.

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 2019 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 2019 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 2019 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	2/3

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 2019.

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 (2018: six) Directors were as follows:

	Fees 2019 HK$'000	Salaries, bonuses and allowances 2019 HK$'000	Contributions to retirement benefit scheme 2019 HK$'000	Total 2019 HK$'000	Total 2018 HK$'000
Executive director and chief executive					
Mr. Chan Chun Choi	600	–	–	600	600
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	1,476
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	1,776

The emoluments of the Directors fell within the following bands:

	2019 Number of Directors	2018 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)*	2/3
Ip Ka Keung	2/3
Lam King Hang	3/3

NOMINATION POLICY

This director nomination policy aims to set out the criteria and process in the nomination and appointment of directors of the Company; ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and ensure the Board continuity and appropriate leadership at Board level.

Nomination and Appointment of Directors

Criteria

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination Process

- Appointment of New Director

  - The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

  - The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

  - If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

  - The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

  - For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

  Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

- Re-election of Director at General Meeting

  - The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

  - The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

  - The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

  Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

Regular Review

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and this Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

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$400,000 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 2019. Such review is conducted annually. The scope of review included revenue cycle, expenditure cycle, financial reporting 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. 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

The Company is pleased to present its Environmental, Social and Governance (the "ESG") Report, which aims to demonstrate its efforts on sustainability developments to both internal and external stakeholders.

The ESG Report was prepared in accordance to the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Listing Rules of Hong Kong Stock Exchanges and Clearing Limited. For information regarding the governance section, please refer to the section of Corporate Governance Report.

SCOPE OF THE ESG REPORT

Through years, the principal activities of the Group were investment holding, trading of motor vehicles and parts and money lending business. Unless otherwise specified, this report primarily highlights the Group's major initiatives and activities implemented from 1 January 2019 to 31 December 2019 (the "Year").

FEEDBACK

The Group believes a strong trusted relationship with our community is critical for our business sustainability. We are committed to managing the Company with the best interests of our stakeholders; therefore, we treasure your feedback on this ESG report and our sustainability performance. If you have any comments or suggestions, please feel free to contact us via

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9 Science Museum Road
Tsim Sha Tsui East
Kowloon, Hong Kong
E-mail: info@1139vgl.com

OUR STRATEGY TO SUSTAINABILITY DEVELOPMENT

Sustainability of ESG aspects is important to long-term value creation for our stakeholders. We identify environmental and social responsibilities as our core commitments. We play our part to contribute to the communities where our employees and customers work and live. Our strategy to fulfil our environmental and social responsibilities is through achievements of environmental and social objectives in our daily operations.

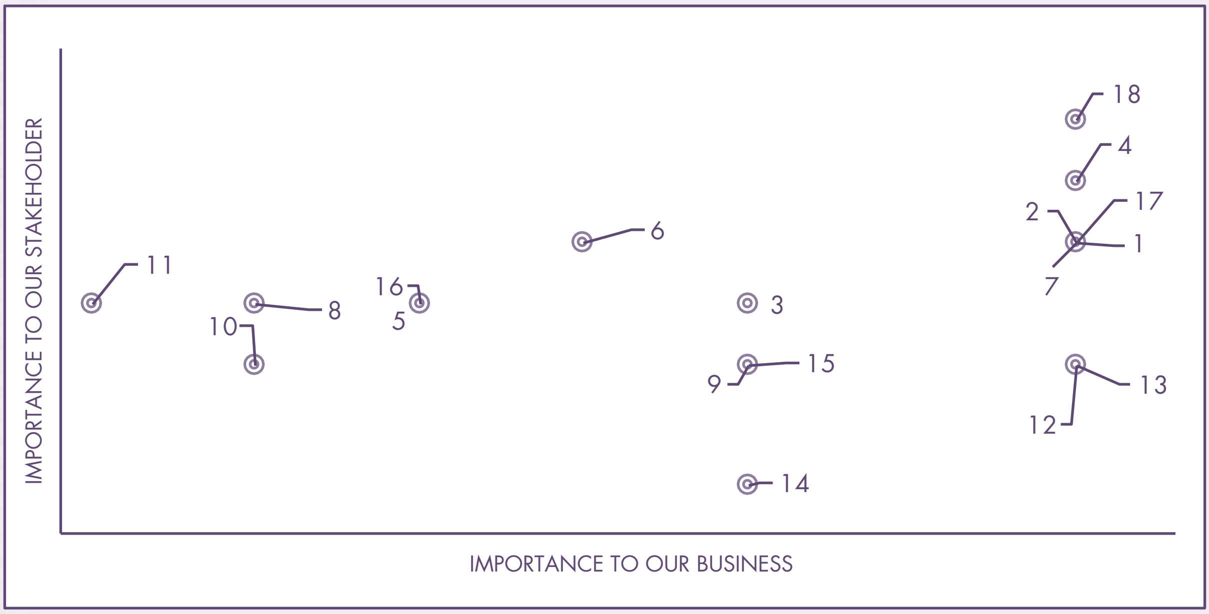
COMMUNICATION WITH STAKEHOLDERS

To better understand the needs, concerns and expectations of our stakeholders in relevance to our business operation, the Group has been maintaining regular communications with our major stakeholders through various channels, which are illustrated in the table below:

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 • E-mails	• High quality product and service • Protect the rights of customers
Suppliers	• Business communication • E-mails	• 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 websites • Regular reports and announcements	• Involvement in communities • Business compliance • Environmental protection awareness
Government and regulatory bodies	• Information submission • E-mails	• Compliance with laws and regulations • Promote regional economic development and employment

MATERIALITY ANALYSIS

In order to identify the ESG issues that are material to the Group, we have conducted a materiality assessment in form of an online questionnaire. Both our internal and external stakeholders were invited to fill in the questionnaire and score the identified eighteen ESG issues in accordance with their relevance and importance to the business operation and the stakeholders themselves respectively. Based on the materiality of each of the ESG issues expressed by the stakeholders, the ESG issues are prioritized and shown in the materiality matrix below. The issues which fell in the upper right corner of the matrix were defined as the topics that matter most to the Group's business operation and our stakeholders are concerned about.



Materiality Issues

1. Protection of employee rights (e.g. equal opportunities, career, anti-discrimination, prevention of child and forced labour)
2. Employment policies (e.g. employment and dismissal procedures)
3. Employee turnover rate
4. Occupational health and safety
5. Employee training and development
6. Employee salaries and benefits
7. Protection on personal data privacy
8. Air and greenhouse gas emissions
9. Resource management (e.g. electricity, water usage etc.)
10. Green operations
11. Waste management
12. Supply chain management
13. Product safety and quality
14. Customer satisfaction and complaints handling
15. Protection of intellectual property rights
16. Community investment
17. Anti-corruption
18. Labour standards

ENVIRONMENTAL PERFORMANCE

We acknowledge our responsibility to protect the environment. As such, we have integrated environmental considerations into our business operations, including but not limited to improving our environmental practices through minimising pollution, utilising energy efficiently and reducing waste in our daily operations.

The nature of the Group's business operations does not involve in any other significant impacts on the environment natural resources. We did not generate direct emission. Our greenhouse gas ("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

	2019	2018	**Unit**
GHG emission in total	**10.16**	13.87	Tonnes of CO_2e
GHG emission (Scope 1)	**N/A**	N/A	Tonnes of CO_2e
GHG emission (Scope 2)	**10.16**	13.87	Tonnes of CO_2e
GHG emission per employee	**1.69**	0.82	Tonnes of CO_2e/employee

Energy Consumption

	2019	2018	**Unit**
Total energy consumption	**19,919**	27,205	kWh
Energy consumption per employee	**3,319.83**	1,600.29	kWh/employee

In order to minimise the energy consumption, various sustainable development measures have been enforced to address environmental responsibilities, including but not limited to the following:

- Utilize natural lighting and energy-efficient light bulbs which can help to reduce electricity consumption
- The temperatures of air-conditioners should be standardized at offices especially during different seasons
- Lighting and electronic equipment which are idle should be switched off
- Utilize LED lighting as LED lighting will operate in a more energy efficient manner and help to lower electricity consumption
- Filters of air conditioning system should be cleaned regularly to ensure they are operating efficiently
- Encourage the use of telephone or video conference calls instead of business travels by air, as this can help to reduce GHG emissions by using public transportations
- Scheduled or offsite meetings conducted within one trip can also help to reduce the frequency of taking transportations

Waste Management

We did not consume packaging materials or created hazardous wastes in our business operation. Our major non-hazardous waste is paper wastes. During the Year, 0.02 tonnes of paper, together with a very low level of intensity which was calculated in tonnes/employee had been consumed.

The following key measures have been carried out in order to reduce non-hazardous waste:

- Promote two-sided printing in our office
- Encourage digitalized internal documents to reduce the use of paper
- Circulate company news via electronic means such as e-mails
- Employees are encouraged to share their tips for other coworkers to learn to adopt a more environmentally-responsible lifestyle
- Employees should keep in mind that to "think twice" before making a copy of documents
- Toner cartridges are collected for proper recycling

Water Use Management

The Group has not encountered problems in sourcing water that is fit for purpose. Our water usage was mainly consumed at the management office which included tap water and drinking water. The Group has put effort to reduce the water consumption, such as posting labels to remind and encourage employees to reduce water usage, and always turning off the faucet and reporting any water leakage.

Water supply of the Group's offices in Hong Kong is controlled by the property management parties. Since the management party was unable to provide water usage data or sub-meter to individual tenants, water usage data for those offices in Hong Kong was not available to be included in the report.

Compliance

During the Year, the Group was not aware of any non-compliance with the laws and regulations relating to environmental protection and pollutant control, such as 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.

OUR PEOPLE

As the core competitiveness in corporate development, employees are the decisive factor for our growth, expansion and sustainable development. 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. In addition, we have an experienced sales team, some of them have been working in the industry for over 15 years.

Recruitment and Dismissal

The Group contains fair and competitive remuneration and benefits in order to retain our talents. These packages are set according to an individual's performance, personal traits, job experiences and career goals. When we hire talents, the recruitment team will evaluate based on the principles of fairness, equality, competitiveness and non-discrimination policies. We are committed to protect the privacy and human rights of all employees. Moreover, there are requirements to follow when we consider the appropriate candidate during the recruitment process, some of the factors include professional experience, educational background and industrial skills.

When there is a dismissal or resignation, an exit-interview will be held by a designated human resources officer to evaluate on the reason for departure, as well as making sure the procedure is in full compliance with relevant employee laws and regulations.

Employee Remuneration

We offer comprehensive and competitive remuneration package to lift our employees' motivation at work. The remuneration is determined with reference to the individual qualification, work performance, working experience and prevailing salary levels in the market. In addition to basic salaries, the Group provides fringe benefits as below:

- Five-day working week
- Medical insurance coverage
- MPF retirement benefits
- Share option scheme
- Enjoy statutory holidays, annual leaves, maternity leaves and compassionate leaves which are aligned with relevant laws and regulations

Equal Opportunities

Being an equal opportunities employer, the Group is committed to creating a working environment with fairness, openness and mutual trust. The Group opposes to any consideration which involves discrimination not related to work and prohibits all forms of workplace discrimination. A fair staff performance assessment scheme is set for making promotion decision. Staff appraisal will be conducted annually to assess work performance.

Development and Training

The Group believes that training is an important path to improve the overall work quality. The Group encourages and sponsors our employees to attend external training courses or seminars to enhance their competence and job related knowledge. In addition, experienced employees will provide supervision to the subordinates in order to enhance communication and team spirits within the Company, and to improve their technical skills and managerial capability.

Labour Standards

The Group would not tolerate any child labor and forced labor. Through the process of recruitment, the Group ensure that all of its new hires are of legal minimum age for employment, and that all discriminatory requirements are avoided.

Compliance

During the Year, the Group did not have incidents regarding child labor or forced labour. Also, the Group was not aware of any material 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), Employee's Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Chapter 282 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 during the Year.

Occupational Health and Safety

The Group promises to provide a health and safe working environment to its employees. The Group has adopted the following key measures to prevent work injury, enhance employees' awareness of occupational health and safety and to promote safety working culture.

- Prohibit smoking strictly in indoor areas
- Air-conditioners and carpet are cleaned regularly
- Ensure sufficient ventilation and adequate lighting
- First-aid kits are placed at reachable areas and refilled regularly for emergency use
- Employees are required to familiarize themselves with their evacuation routings by attending regular fire drills held by the Company

Compliance

During the Year, the Group was not aware of any incidents of non-compliance with the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and other relevant laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and preventing occupational hazards from happening. In addition, we also did not receive any reports in regards of work injuries or casualties during the Year.

SUPPLY CHAIN MANAGEMENT

The Group believes the value in ethics, honesty and integrity, operating in compliance with applicable laws and regulations. We encourage our business partners to adopt the best environmental and social practices and to disseminate the pursuit of sustainability into the core business. During the Year, 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.

PRODUCT RESPONSIBILITY

Customer service has always been important to us and the success of our business. We believe that well-established aftersales and maintenance services will enhance our relationships with our customers thereby creating customer loyalty and expanding our existing customer base through the goodwill of our existing customers. Customers could contact us with 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.

PRIVACY PROTECTION

The Group is committed to compliance with the privacy laws and regulations. Customer and supplier data would be used exclusively for matters relating to the Group's operation only. We constantly maintain the most updated versions of firewalls and anti-virus software to safeguard any hackers from gaining access to confidential information. We strive to ensure all collected data kept is free of unauthorized or accidental access, processing, erasure or other use.

During the Year, 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

The Group believes that honesty, integrity and fair play are the important assets in business and strictly adhered to the laws relating to corruption, bribery, extortion and money-laundering etc. Staff handbook has been established to cover the code of conduct. Employees are encouraged to report any to the management. There were no legal cases relating to bribery, extortion, fraud and money laundering noted during the Year.

COMMUNITY INVESTMENT

Fulfilling social responsibilities is the duty for an enterprise to become successful in the long run. The Group's approaches toward community involvement are as follows:

- Support and encourage our employees' involvement in voluntary services

- Commits to the provision of career opportunities to the locals and promotes the development of the community's economy

REFERENCES TO THE ESG REPORTING GUIDE

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Performance	35
KPI A1.1	The types of emissions and respective emissions data.	Environmental Key Performance Indicator	35
KPI A1.2	Greenhouse gas emissions in total and where appropriate, intensity.	Environmental Key Performance Indicator	35
KPI A1.3	Total hazardous waste produced and where appropriate, intensity.	N/A	N/A
KPI A1.4	Total non-hazardous waste produced and where appropriate, intensity.	Environmental Key Performance Indicator	36
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Performance	35
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	36

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
A. Environmental			
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Environmental Performance	35
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental Key Performance Indicator	35
KPI A2.2	Water consumption in total and intensity.	N/A	N/A
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Performance	35
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Use Management	36
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	N/A	N/A
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Performance	35
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Performance	35

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
B. Social			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People	37
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Not disclosed for the Year	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed for the Year	
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety	38
KPI B2.1	Number and rate of work-related fatalities.	Occupational Health and Safety	38
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety	38
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	38
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	38
KPI B3.1	The percentage of employees trained by gender and employee category.	Not disclosed for the Year	
KPI B3.2	The average training hours completed per employee by gender and employee category.	Not disclosed for the Year	

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
B. Social			
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	38
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	38
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Not disclosed for the Year	
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	39
KPI B5.1	Number of suppliers by geographical region.	Not disclosed for the Year	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Not disclosed for the Year	
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility Privacy Protection	39 39
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not disclosed for the Year	
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Not disclosed for the Year	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not disclosed for the Year	
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility	39
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Personal Data Privacy	39

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
B. Social			
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	39
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Year and the outcomes of the cases.	Anti-corruption	39
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	39
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	39
KPI B8.1	Focus areas of contribution.	Community Investment	39
KPI B8.2	Resources contributed to the focus area.	Community Investment	39

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 51 to 117, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to the owners of the Company of approximately HK$16,774,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current asset by approximately HK$15,604,000 and the Group had net liabilities of approximately HK$3,068,000. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Impairment assessment of trade receivables and other receivables

As disclosed in Note 20 to the consolidated financial statements, as at 31 December 2019, the Group had gross trade receivables of approximately HK$4,418,000 and allowance of credit losses of approximately HK$2,148,000.

As disclosed in Note 23 to the consolidated financial statements, as at 31 December 2019, the Group had gross other receivables of approximately HK$2,426,000 and allowance of credit losses of approximately HK$835,000.

Management applied judgment in assessing the expected credit losses. Debtors with significant outstanding balances or with known financial difficulties and the Group has no realistic prospect of recovery 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 and other 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 and other receivables as at 31 December 2019 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring and challenging the external 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 and other 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 and debtors based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers and debtors; 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 19 to the consolidated financial statements, as at 31 December 2019, the carrying amount of the Group's inventories was approximately HK$2,500,000.

In estimating the amount of write-down of 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 the amount of write-down of 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 of the Company 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 of the Company 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 of the Company.

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

- Conclude on the appropriateness of the Company's 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.

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.

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

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

8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

27 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**423**	18,957
Interest under effective interest method		**423**	625
Contracts with customers		**–**	18,332
Cost of sales		**–**	(18,293)
Gross profit		**423**	664
Other income		**35**	151
Selling and distribution expenses		**–**	(3)
Administrative expenses		**(16,001)**	(13,142)
Reversal of impairment loss (impairment loss) on trade receivables, net	6(b)	**725**	(2,873)
Impairment loss on loan and interest receivables	6(b)	**(462)**	–
Impairment loss on other receivables	6(b)	**(835)**	–
Share of loss of a joint venture	22	**(1)**	(2)
Operating loss		**(16,116)**	(15,205)
Finance costs	9	**(839)**	(734)
Loss before tax		**(16,955)**	(15,939)
Income tax expense	10	**–**	(49)
Loss and total comprehensive expense for the year	11	**(16,955)**	(15,988)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(16,774)**	(16,015)
Non-controlling interests		**(181)**	27
		(16,955)	(15,988)
Loss per share	15		
Basic (HK cents)		**(1.95)**	(1.86)
Diluted (HK cents)		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**1,375**	1,438
Right-of-use assets	*17*	**10,662**	–
Prepaid lease payment – non-current portion	*18*	**–**	10,662
Interest in a joint venture	*22*	**499**	500
		12,536	12,600
CURRENT ASSETS			
Inventories	*19*	**2,500**	2,952
Trade receivables	*20*	**2,270**	9,386
Loan and interest receivables	*21*	**879**	1,527
Prepayments, deposits and other receivables	*23*	**1,729**	3,575
Prepaid lease payment – current portion	*18*	**–**	381
Tax recoverable		**–**	29
Bank balances and cash	*24*	**14**	2,146
		7,392	19,996
CURRENT LIABILITIES			
Other payables and accruals	*25*	**4,241**	2,106
Contract liabilities	*26*	**–**	1,095
Amount due to a director	*27*	**619**	8
Bank borrowing	*28*	**18,000**	15,500
Bank overdrafts	*24*	**136**	–
		22,996	18,709
NET CURRENT (LIABILITIES) ASSETS		**(15,604)**	1,287
NET (LIABILITIES) ASSETS		**(3,068)**	13,887

	Notes	2019 HK$'000	2018 HK$'000
CAPITAL AND RESERVES			
Share capital	30	**859**	859
Reserves		**(2,100)**	14,674
Equity attributable to owners of the Company		**(1,241)**	15,533
Non-controlling interests		**(1,827)**	(1,646)
TOTAL (DEFICIT) EQUITY		**(3,068)**	13,887

The consolidated financial statements on pages 51 to 117 were approved and authorised for issue by the board of directors on 27 March 2020 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 2019

	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 2018	859	158,099	710	(4)	(128,116)	31,548	(1,673)	29,875
Loss for the year, representing total comprehensive expense 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
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(16,774)	(16,774)	(181)	(16,955)
At 31 December 2019	**859**	**158,099**	**710**	**(4)**	**(160,905)**	**(1,241)**	**(1,827)**	**(3,068)**

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 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(16,955)**	(15,939)
Adjustments for:		
Interest expenses	**839**	734
Depreciation of property, plant and equipment	**63**	63
Depreciation of right-of-use assets	**381**	–
Amortisation of prepaid lease payment	**–**	381
Write-off of trade receivables	**4,561**	2,491
Write-off of other receivables	**714**	–
Write-down of inventories	**452**	–
(Reversal of impairment loss) impairment loss on trade receivables, net	**(725)**	2,873
Impairment loss on loan and interest receivables	**462**	–
Impairment loss on other receivables	**835**	–
Share of loss of a joint venture	**1**	2
Operating cash flows before movements in working capital	**(9,372)**	(9,395)
Decrease in trade receivables	**3,280**	2,949
Decrease in loan and interest receivables	**186**	973
Decrease in prepayments, deposits and other receivables	**297**	3,361
Decrease in amount from a minority shareholder	**–**	40
Decrease in inventories	**–**	1,552
Decrease in trade payables	**–**	(3,160)
Increase (decrease) in other payables and accruals	**2,135**	(750)
(Decrease) increase in contract liabilities	**(1,095)**	1,095
Increase in amount due to a director	**611**	–
Cash used in operations	**(3,958)**	(3,335)
Income tax refunded	**29**	–
NET CASH USED IN OPERATING ACTIVITIES	**(3,929)**	(3,335)
NET CASH USED IN INVESTING ACTIVITY		
Purchases of property, plant and equipment	**–**	(1)
FINANCING ACTIVITIES		
New borrowing raised	**2,500**	16,500
Repayment of borrowing	**–**	(13,500)
Interest paid	**(839)**	(734)
NET CASH FROM FINANCING ACTIVITIES	**1,661**	2,266
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,268)**	(1,070)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**2,146**	3,216
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by	**(122)**	2,146
Bank balances and cash	**14**	2,146
Bank overdrafts	**(136)**	–
	(122)	2,146

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, Tsim Sha Tsui 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 2019, the Group was principally engaged in investment holding, trading of motor vehicles and money lending business.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group incurred a loss attributable to owner of the Company of approximately HK$16,774,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$15,604,000 and the Group had net liabilities of approximately HK$3,068,000. Nevertheless, the directors of the Company (the "Directors") considered that the consolidated financial statements of the Group have been prepared on a going concern basis after taking into consideration the following measures:

(i) the Directors will continuously review the cost structure of the Group to formulate appropriate cost-saving measures to reduce the operating expenses;

(ii) the Group has available unutilised revolving loan facilities of HK$5,000,000;

(iii) a sale and purchase agreement in relation to the acquisition of the entire issued share capital of a company principally engaged in the provision of construction services was entered during the year ended 31 December 2019. This company will become a wholly owned subsidiary of the Group and the business and market of the Group can be diversified and it can generate profits for the Group in the foreseeable future; and

(iv) a director of the Company, Mr. Chan Chun Choi, has agreed to provide adequate funds for the Group to meet its financial obligations in full as they fall due in the foreseeable future. In addition, the Group has obtained the undertaking from Mr. Chan Chun Choi, not to demand for repayment of debt due from the Group until such time when repayment will not affect the ability of the Group to repay other creditors in the normal course of business.

The Directors are of the opinion that the Group would be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2019.

Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2019 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to reclassify non-current assets as current assets and to provide for further liabilities which might arise.

3. 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 16	Leases
HK(IFRIC)-Interpretation ("Int") 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standards ("HKSA") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group measured additional right-of-use assets at the amounts equal to the related prepaid lease payment by applying HKFRS 16.C8(b)(ii) transition. There is no difference at the date of initial application and comparative information has not been restated.

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

HKFRS 16 Leases – Continued

As a lessee – Continued

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use Assets HK$'000
Reclassified from prepaid lease payment *(Note)*	11,043

Note: Upon application of HKFRS 16, the current and non-current portion of prepaid lease payment amounting to HK$381,000 and HK$10,662,000 respectively were reclassified to right-of-use-assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	**Adjustments** HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019** HK$'000
NON-CURRENT ASSETS			
Right-of-use assets	–	11,043	11,043
Prepaid lease payment – non-current portion	10,662	(10,662)	–
CURRENT ASSET			
Prepaid lease payment – current portion	381	(381)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

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

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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions 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 a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. 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 accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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*.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

4.1 Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.2 Investment in a joint venture

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

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

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

The 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 is not allocated to any asset, including goodwill, that 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, 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.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.2 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.

4.3 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customer.

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 or 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.

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 the same contract are accounted for an presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.3 Revenue from contracts with customers – continued

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.4 Lease

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

The Group as a lessee (prior to 1 January 2019)

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.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.5 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, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

4.6 Borrowing costs

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

4.7 Retirement benefit costs and short-term employee 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.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.8 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 profit/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 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.

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 to the same taxable entity by the same taxation authority.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.9 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment 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.

Ownership interest in leasehold land and building

When the Group makes payments for ownership which includes interest of properties both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values.

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 "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

4.10 Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives 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).

The recoverable amount of property, plant and equipment and right-of-use 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 ("CGU") to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.10 Impairment on property, plant and equipment and right-of-use assets – Continued

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 CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGU, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGU, with the recoverable amount of the group of CGUs. 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 or the group of CGUs. 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 or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.11 Inventories

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

4.12 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).

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.13 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 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 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. 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 ("FVTPL")) 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 FVTPL 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 income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

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 fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/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 if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.13 Financial instruments – Continued

Financial assets – Continued

Classification and subsequent measurement of financial assets – Continued

A financial asset is 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.

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, loan and interests receivables, deposits and other receivables and bank balances) which are subject to impairment under HKFRS 9. 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, 12-month ECL ("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 individually for debtors with significant balances.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.13 Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – 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.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.13 Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – 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 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.13 Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – 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 ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The 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.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.13 Financial instruments – Continued

Financial assets – Continued

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.

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 Company 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 other payables and accruals, amount due to a director, bank borrowing and bank overdrafts 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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 judgments in applying accounting policies

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

Going concern and liquidity

As explained in Note 2 to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in Note 2 to the consolidated financial statements.

Classification of Victory Investment Holdings Limited as a joint venture

Victory Investment Holdings Limited is a limited liability company incorporated in the Hong Kong whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Victory Investment Holdings Limited is classified as a joint venture of the Group. For details, please refer to Note 22 to the consolidated financial statements.

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

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 owned property and right-of-use assets

The impairment losses for owned property and right-of-use assets 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 owned property and right-of-use assets were recognised for the year ended 31 December 2019 (No impairment losses on the owned property and prepaid lease payment were recognised for the year ended 31 December 2018).

(c) Provision of ECL for trade receivables and other receivables

Trade receivables and other receivables with significant balances and credit-impaired are assessed for ECL individually. The provision rates are based on past-due as groupings of various debtors that have similar loss patterns. In addition, the Group uses provision matrix to calculate ECL for trade receivables which are individually insignificant. 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.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and other receivables are disclosed in Notes 6(b), 20 and 23 respectively to the consolidated Financial Statements.

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

Key sources of estimation uncertainty – Continued

(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 6(b) and 21 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 2019, write-down of inventories of approximately HK$452,000 (2018: Nil) was recognised in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

(i) Financial assets

	2019 HK$'000	2018 HK$'000
Financial assets at amortised cost		
Trade receivables	**2,270**	9,386
Loan and interest receivables	**879**	1,527
Deposits and other receivables	**1,678**	388
Bank balances and cash	**14**	2,146
	4,841	13,447

(ii) Financial liabilities

	2019 HK$'000	2018 HK$'000
Amortised cost		
Other payables and accruals	**4,241**	2,106
Amount due to a director	**619**	8
Bank borrowing	**18,000**	15,500
Bank overdrafts	**136**	–
	22,996	17,614

6. 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, other payables and accruals, amount due to a director, bank borrowing and bank overdrafts. 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 of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There was 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 2019 and 2018 are as follow:

	Assets	
	2019	2018
	HK'000	HK'000
Euro ("EUR")	**–**	4,644

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

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against EUR. 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 exchange rate. The sensitivity analysis includes only outstanding EUR denominated monetary item and adjusts its translation at the year end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis illustrates the impact for a 5% strengthening of HK$ against EUR resulted increase in post-tax loss for the year. For a 5% weakening of HK$ against EUR, there would be an equal and opposite impact on the post-tax loss for the year.

	2019	2018
	HK$'000	HK$'000
Increase in post-tax loss for the year:		
EUR	**–**	232

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Market risk – continued

(ii) Interest rate risk

As at 31 December 2019 and 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, bank borrowing and bank overdrafts with variable-rate interest rates which expose the Group to cash flow interest rate risk.

The interest rates of loan and interest receivables, bank borrowing and bank overdrafts of the Group are disclosed in Notes 21, 28 and 24, respectively, to the consolidated financial statements. The Group currently does not have an interest rate hedging policy. However, management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

	2019 HK$'000	2018 HK$'000
Interest revenue		
Financial assets at amortised costs	**423**	625

Interest expense on financial liabilities not measured at FVTPL:

	2019 HK$'000	2018 HK$'000
Financial liabilities at amortised cost	**839**	734

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 (2018: 100 basis points) increase or decrease in variable-rate bank borrowings, loan receivables and bank overdrafts are used represents management assessment of the reasonably possible changes in interest rate. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable rate bank balance is insignificant.

	Increase/ decrease in interest rate (basis point)	**Increase/ decrease in post-tax loss** HK$'000
2019	**100**	**173**
2018	100	140

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bank balances, loan and interest receivables and deposits and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. Although the loan and interest receivables are secured over property, the credit risk is not migrated as the security is forth-mortgaged.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 100% (2018: 100%) of the total trade receivables was due from the Group's one customer (2018: three customers) within the trading of motor vehicle segment. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories and current past due exposure for customers. Reversal of impairment loss of approximately HK$725,000 (2018: impairment loss of HK$2,873,000) is recognised during the year ended 31 December 2019. Details of the quantitative disclosures are set out below in this note.

Loan receivables

The Directors estimate the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the customers to the loan receivables. Based on assessment by the Directors, the loss given default is high in view of the estimated realised amount of ultimate disposal of the collaterals. Impairment loss of approximately HK$462,000 (2018: Nil) is recognised during the year ended 31 December 2019.

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Other receivables

The Directors make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For the year ended 31 December 2018, the Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2019, the Directors consider to specify the assessment of ECL (e.g. reference to disclosure made below in this note) and the amount of impairment made. Impairment loss of approximately HK$835,000 (2018: Nil) is recognised during the year ended 31 December 2019.

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	12m ECL
Watch list	Debtor frequently repays after due dates in full	Lifetime ECL – not credit-impaired	12m 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

6. 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:

	Note	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount**	
					2019	2018
					HK$'000	HK$'000
Financial asset at amortised cost						
Trade receivables – contracts with customers	20	N/A	note 1	Lifetime ECL (provision matrix)	**–**	12,259
			Loss	Lifetime ECL (credit-impaired)	**4,418**	–
Loan and interest receivables	21	N/A	low risk	12m ECL	**–**	1,527
			Loss	Lifetime ECL (credit-impaired)	**1,341**	–
Other receivables	23	N/A	note 2	12m ECL	**3**	3
				Lifetime ECL (credit-impaired)	**2,423**	–
Bank balances	24	A1 – Baa3	Low risk	12m ECL	**14**	2,146

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – continued

Notes:

(1) For trade receivables as at 31 December 2018, 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 ECL 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 within lifetime ECL (not credit-impaired) as at 31 December 2019.

Gross carrying amounts

	2018	
	Average loss rate	Trade receivables HK$'000
1 – 30 days past-due	18.68%	5,711
91 – 365 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. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the Group provided approximately HK$2,873,000 impairment allowance for trade receivables based on the provision matrix.

For trade receivables as at 31 December 2019, the Group assessed trade balances with significant outstanding balances and credit-impaired with gross carrying amounts of approximately HK$4,418,000 (2018: Nil) individually and impairment allowance of HK$2,148,000 was made.

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – continued

Notes: – continued

(2) 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.

2019

	Past due HK$'000	**Not past due/ No fixed repayment terms HK$'000**	**Total HK$'000**
Other receivables	**2,423**	**3**	**2,426**

2018

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

6. 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.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000
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 due to financial instrument recognised as at 1 January 2019		
– Transfer to credit-impaired	(1,219)	1,219
– Impairment losses recognised	–	929
– Impairment losses reversed	(1,654)	–
As at 31 December 2019	–	2,148

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

	2019 Increase/(decrease) in lifetime ECL		2018 Increase/(decrease) in lifetime ECL	
	Not credit-impaired HK$'000	**Credit-impaired HK$'000**	Not credit-impaired HK$'000	Credit-impaired HK$'000
New financial assets originated	**–**	**–**	1,067	–
Transfer to credit-impaired	**(1,219)**	**1,219**	–	–
Change in risk parameters	**–**	**929**	1,806	–
Settlement in full of trade debtors with gross carrying amounts of approximately HK$3,280,000 (2018: Nil)	**802**	**–**	–	–

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

The following table shows reconciliation of loss allowances that has been recognised for loan and interest receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2018 and 31 December 2018	–
Changes due to financial instrument recognised as at 1 January 2019	
– Impairment losses recognised	462
As at 31 December 2019	462

Changes in the loss allowances for loan and interest receivables are mainly due to:

	Increase in lifetime ECL (credit-impaired)	
	2019 HK$'000	2018 HK$'000
Change in risk parameters	**462**	–

The following table shows reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2018 and 31 December 2018	–
Changes due to financial instrument recognised as at 1 January 2019	
– Impairment loss recognised	835
As at 31 December 2019	835

Changes in the loss allowances for other receivables are mainly due to:

	Increase in lifetime ECL (credit-impaired)	
	2019 HK$'000	2018 HK$'000
New financial assets originated	**835**	–

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Liquidity risk

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 of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2019, the Group has available unutilised revolving loan facilities of HK$5,000,000 (2018: HK$7,500,000). Details of bank borrowing are set out in Note 28.

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 tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	Within 1 year or on demand	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000
2019				
Other payables and accruals	**N/A**	**4,241**	**4,241**	**4,241**
Amount due to a director	**N/A**	**619**	**619**	**619**
Bank borrowing	**4%**	**18,000**	**18,000**	**18,000**
Bank overdrafts	**5%**	**136**	**136**	**136**
		22,996	**22,996**	**22,996**
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

(c) Fair value measurements of financial instruments

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

7. 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.

	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers		
Trading of motor vehicles and parts	**–**	18,332
Interest under effective interest method	**423**	625
	423	18,957

Disaggregation of revenue from contracts with customers
For the year ended 31 December 2019

There was no revenue from contracts with customers generated from trading of motor vehicles and parts.

	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 market	
Hong Kong	18,332
Timing of revenue recognition	
A point of 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 HKFRS 15, the transaction price allocated to the unsatisfied contracts are not disclosed.

8. 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 2019

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Revenue	–	423	423
Segment results	(6,471)	(510)	(6,981)
Unallocated corporate income			35
Unallocated corporate expenses			(9,169)
Finance costs			(839)
Share of loss of a joint venture			(1)
Loss before tax			(16,955)

8. OPERATING SEGMENTS – Continued

Segment revenue and results – Continued

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)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. 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.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years ended 31 December 2019 and 2018.

8. 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 2019

	Trading of motor vehicles HK$'000	**Money lending HK$'000**	**Total HK$'000**
Segment assets	**6,867**	**880**	**7,747**
Unallocated corporate assets			**12,181**
Consolidated assets			**19,928**
Segment liabilities	**1,002**	**5**	**1,007**
Unallocated corporate liabilities			**21,989**
Consolidated liabilities			**22,996**

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

8. 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, right-of-use assets, prepaid lease payment, certain bank balances and cash, certain prepayments, deposits and other receivables, interest in a joint venture and tax recoverable; and

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

Other segment information
For the year ended 31 December 2019

	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	–	–	63	63
Write-off of trade receivables	4,561	–	–	4,561
Write-off of other receivables	714	–	–	714
Write-down of inventories	452	–	–	452
Reversal of impairment loss on trade receivables, net	(725)	–	–	(725)
Impairment loss on loan and interest receivables	–	462	–	462
Impairment loss on other receivables	835	–	–	835
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Depreciation of right-of-use assets	–	–	381	381
Finance costs	–	–	839	839
Share of loss of a joint venture	–	–	1	1

8. OPERATING SEGMENTS – Continued

Other segment information – Continued

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
Write-off of trade receivable	2,491	–	–	2,491
Impairment loss on trade receivables	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

Geographical information

The Group's operations are located in Hong Kong. All the non-current assets 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.

	2019 HK$'000	2018 HK$'000
Hong Kong	**423**	18,957

8. OPERATING SEGMENTS – Continued

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A[1]	–	8,707
Customer B[1]	–	8,558
Customer C[2]	423	–

[1] Revenue from trading of motor vehicles
[2] Revenue from money lending

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowing	839	734

10. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Hong Kong:		
– Under provision in prior years	–	49

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%.

10. INCOME TAX EXPENSE – Continued

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 People Republic of China ("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.

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

	2019	2018
	HK$'000	HK$'000
Loss before tax	**(16,955)**	(15,939)
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	**(2,798)**	(2,629)
Tax effect of income not taxable for tax purpose	**(120)**	(25)
Tax effect of expenses not deductible for tax purpose	**814**	623
Tax effect of tax losses not recognised	**2,115**	2,042
Tax effect of temporary differences not recognised	**(11)**	(11)
Under provision in respect of prior years	**–**	49
Income tax expense for the year	**–**	49

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2019 HK$'000	2018 HK$'000
Auditor's remuneration		
– Audit services	**400**	480
– Other services	**118**	118
	518	598
Cost of inventories recognised as an expense	**–**	18,293
Amortisation of prepaid lease payment	**–**	381
Depreciation of right-of-use assets	**381**	–
Depreciation of property, plant and equipment	**63**	63
Write-off of trade receivables	**4,561**	2,491
Write-off of other receivables	**714**	–
Write-down of inventories	**452**	–
Minimum lease payments under operating lease in respect of rented premises	**–**	810
Exchange loss	**126**	469
Staff costs (including directors' emoluments) *(Note 12)*	**3,715**	4,034

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

	2019 HK$'000	2018 HK$'000
Salaries, bonuses and allowances	3,604	3,905
Contributions to retirement benefits scheme	111	124
Provision for annual leave payments	–	5
	3,715	4,034

The five highest paid employees of the Group during the year included three directors (2018: three directors), details of whose emoluments are set out in Note 13 below. Details of the emoluments for the year of the remaining two (2018: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, bonuses and allowances	1,080	1,080
Contributions to retirement benefits scheme	36	36
	1,116	1,116

The emoluments of each of the above employees were less than HK$1,000,000 during the years ended 31 December 2019 and 2018.

During the years ended 31 December 2019 and 2018, no emoluments was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	For the year ended 31 December 2019			
	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

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

	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

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) During the years ended 31 December 2019 and 2018, 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 2019 and 2018.

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on loss for the year attributable to owners of the Company of approximately HK$16,774,000 (2018: HK$16,015,000) and the weighted average of 859,146,438 (2018: 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 2019 and 2018.

16. PROPERTY, PLANT AND EQUIPMENT

	Owned property	Leasehold improvements	Furniture and fixtures	Office equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 January 2018	2,661	1,430	670	110	4,871
Additions	–	–	–	1	1
Disposal	–	(1,380)	(57)	(13)	(1,450)
At 31 December 2018, 1 January 2018 and 31 December 2019	2,661	50	613	98	3,422
ACCUMULATED DEPRECIATION					
At 1 January 2018	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
Provided for the year	48	11	–	4	63
At 31 December 2019	**1,307**	**30**	**613**	**97**	**2,047**
CARRYING VALUES					
At 31 December 2019	**1,354**	**20**	**–**	**1**	**1,375**
At 31 December 2018	1,402	31	–	5	1,438

16. PROPERTY, PLANT AND EQUIPMENT – Continued

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

Owned property	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 2019, the owned property with a carrying value of approximately HK$1,354,000 (2018: HK$1,402,000) has been pledged to secure the Group's bank borrowing (Note 28).

The Directors appointed an independent qualified professional valuer, Roma, to perform a property valuation to estimate the amount of fair value of the owned property based on prices realised on actual sales of comparable properties. The owned property was measured at fair value based on Level 2 hierarchy using the market approach. 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. Since the amount of fair value less cost of disposal of the owned property is higher than the carrying amount, no impairment loss on the owned property was recognised for the years ended 31 December 2019 and 2018.

17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000
As at 1 January 2019	
Carrying amount	11,043
As at 31 December 2019	
Carrying amount	**10,662**
For the year ended 31 December 2019	
Depreciation charge	**381**

During the year ended 31 December 2019, the right-of-use assets with a carrying amount of approximately HK10,662,000 has been pledged to secure the Group's bank borrowing (Note 28).

The Group is the registered owner of an office building, including the underlying leasehold land. Lump sum payment was made upfront to acquire the property interest. The leasehold land component of this owned property is presented separately as the payments made can be allocated reliably.

The Directors appointed an independent qualified professional valuer, Roma, to perform a property valuation to estimate the amount of fair value of the right-of-use assets based on prices realised on actual sales of comparable properties. The right-of-use assets was measured at fair value based on Level 2 hierarchy using the market approach. 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. Since the amount of fair value less cost of disposal of the right-of-use assets is higher than the carrying amount, no impairment loss on the right-of-use assets was recognised for the year ended 31 December 2019.

18. PREPAID LEASE PAYMENT

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

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

During the year ended 31 December 2018, the prepaid lease payment with a carrying value of approximately HK$11,043,000 has been pledged to secure the Group's bank borrowing (Note 28).

The Directors appointed an independent qualified professional valuer, Roma, to perform a property valuation 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. Since the amount of fair value less cost of disposal of the prepaid lease payment is higher than the carrying amount, no impairment loss on the prepaid lease payment was recognised for the year ended 31 December 2018.

19. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Right-hand-drive motor vehicles	**2,500**	2,952

20. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables		
– contracts with customers	**4,418**	12,259
Less: Allowance of credit losses	**(2,148)**	(2,873)
Total trade receivables	**2,270**	9,386

As at 1 January 2018, trade receivables from contracts with customers amounted to approximately HK$17,699,000.

The amount outstanding on trade receivables that were written off during the year ended 31 December 2019 and are still subject to enforcement action amounted to approximately HK$4,561,000 (2018: HK$2,491,000).

The following is an aged analysis of trade receivables, net of allowance of credit losses, presented based on dates of delivery of goods:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**–**	–
31 – 60 days	**–**	–
61 – 365 days	**–**	4,644
Over 365 days	**2,270**	4,742
	2,270	9,386

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$2,270,000 (2018: HK$4,742,000) 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 are set out in Note 6(b).

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

	2019 '000	2018 '000
EUR	**–**	519

21. LOAN AND INTEREST RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Variable-rate loan and interest receivables		
– Unsecured		
Loan receivable	**1,341**	1,500
Interest receivables	**–**	27
Less: Allowance of credit losses	**(462)**	–
	879	1,527
Analysed as:		
Current	**879**	1,527

At 31 December 2019, all of loans and interest receivables has been past due more than 90 days. The Directors consider credit risks have increased significantly and the whole balance is considered as credit-impaired.

As at 31 December 2018, all of loans and interest receivables are neither past due nor impaired.

Loan receivables comprise:

			Effective	**Carrying amount**	
	Maturity date	**Collateral**	**interest rate**	**2019**	2018
				HK$'000	HK$'000
HK$1,500,000 variable-rate loan receivable	9/02/2019	Property at Hong Kong*	Prime + 25%	**879**	1,527

* As the loan receivable is secured as forth-mortgage, therefore it is considered as unsecured.

The loan and interest receivables outstanding as at 31 December 2019 and 2018 are denominated in HK$.

Details of impairment assessment of loan and interest receivables are set out in Note 6(b).

22. INTEREST IN A JOINT VENTURE

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

	2019 HK$'000	2018 HK$'000
Cost of investment in an unlisted joint venture in Hong Kong	**500**	502
Share of post-acquisition loss and other comprehensive expense	**(1)**	(2)
	499	500

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.

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
		2019	2018	**2019**	2018	
Victory Investment Holdings Limited	Hong Kong	**51%**	51%	**50%**	50%	Trading of motor vehicles

22. INTEREST IN A JOINT VENTURE – continued

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

	2019 HK$'000	2018 HK$'000
Current assets	979	981
The above amounts of assets include the following:		
Cash and cash equivalents	979	981
Revenue	–	–
Loss and total comprehensive expenses for the year	(2)	(3)
Dividends received from Victory Investment Holdings Limited during the year	–	–

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:

	2019 HK$'000	2018 HK$'000
Net assets of Victory Investment Holdings Limited	979	981
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	499	500

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Other receivables *(Note)*	**2,426**	3
Deposits	**87**	385
Other prepayments	**51**	69
Purchase deposits	**–**	3,118
	2,564	3,575
Less: Allowance of credit losses	**(835)**	–
Total prepayments, deposits and other receivables	**1,729**	3,575

Note: The amount mainly represent the purchase deposit paid in previous year and had been reclassified as other receivables during the year ended 31 December 2019.

Details of impairment assessment of deposits and other receivables are set out in Note 6(b).

24. BANK BALANCES AND CASH/BANK OVERDRAFTS

Cash at banks earn interest at floating rates based on daily bank deposits rates and bank overdrafts generate interest expenses at 0.5% per annum over Prime or 3.5% per annum over HIBOR, whichever is higher, payable monthly in arrears.

25. OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	HK$'000
Accruals	**4,054**	1,889
Other payables	**187**	217
	4,241	2,106

26. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Trading of motor vehicles and parts	–	1,095

There was no contract liabilities as at 1 January 2018.

There were no revenue recognised related to carried-forward contract liabilities for the years ended 31 December 2019 and 2018.

During the year ended 31 December 2019, the Group and the customer have mutually agreed to off-set the contract liabilities of HK$1,095,000 against the trade receivable due from that customer.

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 delivery 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 during the year ended 31 December 2018.

27. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, non-interest bearing and repayable on demand.

28. BANK BORROWING

	2019 HK$'000	2018 HK$'000
Secured borrowing – repayable within one year	18,000	15,500

As at 31 December 2019, the bank borrowing is secured by a mortgage over the Group's owned property and right-to-use assets (Notes 16 and 17) (2018: the bank borrowing is secured by a mortgage over the Group's building and prepaid lease payment (Notes 16 and 18)) and personal guarantee to be executed by the directors, Mr. Chan Chun Choi and Mr. Chan Kingsley Chiu Yin.

The bank borrowing bears interest at HIBOR (1 month) + 3.25% per annum (2018: HIBOR (1 month) +3.25% per annum). The bank borrowing is denominated in HK$.

29. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of approximately HK$245,316,000 (2018: HK$232,495,000) available for offset against future profits. 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$68,000 (2018: HK$69,000). 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.

30. SHARE CAPITAL

	Par value per share HK$	Number of shares	Amount HK$'000
Authorised:			
At 31 December 2018 and **31 December 2019**	**0.001**	**152,055,864,000**	**152,056**
Issued and fully paid:			
At 31 December 2018 and **31 December 2019**	**0.001**	**859,146,438**	**859**

31. 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.

31. 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.

32. MATERIAL RELATED PARTY TRANSACTIONS

Details of balances with related parties are disclosed in Note 27 to the consolidated financial statements.

Key management personnel compensation

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

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, bank overdrafts and amount due to a director, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, 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/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	
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 issued any debt securities at the end of the year or at any time during the year.

Wholly foreign owned enterprise established in the PRC.

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	
		2019	2018	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Wakit Motors Limited	Hong Kong	**40%**	40%	**(181)**	(1)	**(1,829)**	(1,648)
Individually immaterial subsidiary with non-controlling interest				**-**	28	**2**	2
				(181)	27	**(1,827)**	(1,646)

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

	2019 HK$'000	2018 HK$'000
Current assets	**2,500**	3,035
Current liabilities	**(7,073)**	(7,155)
Equity attributable to owners of the Company	**(2,744)**	(2,472)
Non-controlling interests	**(1,829)**	(1,648)
Revenue	**–**	914
Expenses	**(453)**	(917)
Loss and total comprehensive expenses attributable to owners of the Company	**(272)**	(2)
Loss and total comprehensive expenses attributable to non-controlling interests	**(181)**	(1)
Loss and total comprehensive expenses for the year	**(453)**	(3)
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(83)**	(3)
Net cash outflow from investing activities	**–**	–
Net cash outflow from financing activities	**–**	–
Net cash outflow	**(83)**	(3)

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 HK$'000	Interest payable (included in other payables) HK$'000	Total HK$'000
At 1 January 2018	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 9)*	–	734	734
At 31 December 2018	15,500	–	15,500
Changes from cash flows:			
New borrowing	2,500	–	2,500
Interest paid	–	(839)	(839)
Non-cash changes:			
Interest expenses *(Note 9)*	–	839	839
At 31 December 2019	**18,000**	**–**	**18,000**

36. EVENT AFTER THE REPORTING PERIOD

On 8 August 2019, the Company entered into a conditional sale and purchase agreement with an independent third party as vendor (the "Vendor"), to acquire entire issued share capital of a target company (the "Target Company") at a consideration of HK$350,000,000 (the "Acquisition") which shall be settled as to HK$250,000,000 in cash and HK$100,000,000 by the Company allotting and issuing new shares of HK$0.001 each in its share capital to the Vendor.

The Target Company and its subsidiary are principally engaged in the provision of construction services in Hong Kong.

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial statements of the Target Company will be consolidated into the financial statements of the Group. As at the date of the issuance of this report, the Acquisition has not been completed and is subject to fulfillment of certain terms and conditions.

Subsequent to the reporting period, the Company received a letter from the Stock Exchange which stated that the Stock Exchange agreed to allow the Company to submit a new listing application, as the Acquisition constitutes a very substantial acquisition and a reverse takeover involving a new listing application of the Company under the Listing Rules.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**1**	4
Interests in subsidiaries		**8,831**	43,275
		8,832	43,279
CURRENT ASSETS			
Prepayments and deposits paid		**87**	385
Amount due from a director		**–**	609
Bank balances and cash		**7**	554
		94	1,548
CURRENT LIABILITIES			
Other payables and accruals		**2,933**	772
Amounts due to subsidiaries		**38,616**	60,837
Amount due to a director		**2**	–
Bank overdrafts		**44**	–
		41,595	61,609
NET CURRENT LIABILITIES		**(41,501)**	(60,061)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(32,669)**	(16,782)
CAPITAL AND RESERVES			
Share capital		**859**	859
Reserves	*a*	**(33,528)**	(17,641)
TOTAL DEFICIT		**(32,669)**	(16,782)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 27 March 2020 and are signed on its behalf by:

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

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – Continued

Notes:

(a) Reserves

	Share premium HK$'000	**Contributed surplus** HK$'000 *(Note)*	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2018	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)
Loss and total comprehensive expense for the year	–	–	(15,887)	(15,887)
At 31 December 2019	**158,099**	**64,809**	**(256,436)**	**(33,528)**

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				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
Revenue	**423**	18,957	33,418	4,902	10,985
Loss Before tax	**(16,955)**	(15,939)	(10,813)	(12,866)	(18,595)
Income tax (expense) credit	**–**	(49)	20	(28)	(340)
Loss and total comprehensive expense for the year	**(16,955)**	(15,988)	(10,793)	(12,894)	(18,935)
Loss and total comprehensive expense attributable to					
Owners of the Company	**(16,774)**	(16,015)	(10,482)	(12,177)	(18,846)
Non-controlling interest	**(181)**	27	(311)	(717)	(89)
	(16,955)	(15,988)	(10,793)	(12,894)	(18,935)

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
Non-current assets	**12,536**	12,600	13,045	14,903	15,534
Current assets	**7,392**	19,996	35,354	41,678	47,844
Current liabilities	**(22,996)**	(18,709)	(18,524)	(15,913)	(9,816)
Net current (liabilities) assets	**(15,604)**	1,287	16,830	25,765	38,028
Total assets less current liabilities	**(3,068)**	13,887	29,875	40,668	53,562
Non-current liabilities	**–**	–	–	–	–
Net (liabilities) assets	**(3,068)**	13,887	29,875	40,668	53,562