# VICTORY GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1139)**

**(the "Company")**

## 2013 ANNUAL RESULTS

The board of directors of the Company (the "Board") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
*For the year ended 31 December 2013*

| | *Notes* | **2013** *HK$'000* | 2012 *HK$'000* |
|---|---|---|---|
| **Revenue** | *3* | **29,963** | 71,735 |
| Cost of sales | | **(29,625)** | (67,828) |
| **Gross profit** | | **338** | 3,907 |
| Other income | *5* | **128** | 3,823 |
| Selling and distribution expenses | | **(10,889)** | (4,443) |
| Administrative expenses | | **(17,851)** | (10,327) |
| Fair value change on contingent consideration | | **2,432** | 26,998 |
| Gain on bargain purchases of subsidiaries | | **–** | 21,834 |
| **Operating (loss) profit** | | **(25,842)** | 41,792 |
| Finance costs | *6* | **(3,970)** | (3,008) |
| **(Loss) profit before tax** | | **(29,812)** | 38,784 |
| Income tax expense | *7* | **–** | – |
| **(Loss) profit for the year** | *8* | **(29,812)** | 38,784 |
| **(Loss) profit for the year attributable to:** | | | |
| Owners of the Company | | **(29,796)** | 38,791 |
| Non-controlling interests | | **(16)** | (7) |
| | | **(29,812)** | 38,784 |
| **(Loss) earnings per share** | *10* | | |
| **Basic (HK cents)** | | **(3.47)** | 7.91 |
| **Diluted (HK cents)** | | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2013*

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **(Loss) profit for the year and total comprehensive (expenses) income for the year** | **(29,812)** | 38,784 |
| **Total comprehensive (expenses) income attributable to:** | | |
| Owners of the Company | **(29,796)** | 38,791 |
| Non-controlling interests | **(16)** | (7) |
| | **(29,812)** | 38,784 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
*At 31 December 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **1,947** | 2,147 |
| Prepaid lease payments – non-current portion | | **12,567** | 12,948 |
| Contingent consideration receivable – non-current portion | | **–** | 9,955 |
| Prepayments – non-current portion | | **10,717** | 21,517 |
| | | **25,231** | 46,567 |
| **CURRENT ASSETS** | | | |
| Inventories | *11* | **28,371** | 28,560 |
| Trade receivables | *12* | **–** | 263 |
| Contingent consideration receivable – current portion | | **10,468** | 17,043 |
| Prepayment, deposits and other receivables | | **33,019** | 35,453 |
| Prepaid lease payments – current portion | | **381** | 381 |
| Tax recoverable | | **1,681** | 57 |
| Bank balances and cash | | **13,383** | 24,675 |
| | | **87,303** | 106,432 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *13* | **100** | 1,990 |
| Other payables and accruals | | **4,003** | 3,011 |
| Deposit received | | **505** | 392 |
| Amounts due to directors | | **5,131** | 4,941 |
| Amount due to a minority shareholder | | **4,889** | – |
| Promissory note payable – current portion | | **2,857** | 14,604 |
| | | **17,485** | 24,938 |
| **NET CURRENT ASSETS** | | **69,818** | 81,494 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **95,049** | 128,061 |
| **NON-CURRENT LIABILITY** | | | |
| Promissory note payable – non-current portion | | **–** | 3,245 |
| **NET ASSETS** | | **95,049** | 124,816 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *14* | **859** | 859 |
| Reserves | | **94,165** | 123,961 |
| Equity attributable to the owners of the Company | | **95,024** | 124,820 |
| Non-controlling interests | | **25** | (4) |
| **TOTAL EQUITY** | | **95,049** | 124,816 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2013*

| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 (Note) | Accumulated losses HK$'000 | Sub-total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2012 | 15,480 | 50,091 | 710 | (89,111) | (22,830) | – | (22,830) |
| Profit for the year, representing total comprehensive income for the year | – | – | – | 38,791 | 38,791 | (7) | 38,784 |
| Capital injection by non-controlling interest | – | – | – | – | – | 3 | 3 |
| Capital reduction *(Note 14(b))* | (15,472) | – | – | 15,472 | – | – | – |
| Issue of shares pursuant to an open offer *(Note 14(c))* | 851 | 109,831 | – | – | 110,682 | – | 110,682 |
| Transaction costs attributable to issue of shares | – | (1,823) | – | – | (1,823) | – | (1,823) |
| At 31 December 2012 | 859 | 158,099 | 710 | (34,848) | 124,820 | (4) | 124,816 |
| Loss for the year, representing total comprehensive expenses for the year | – | – | – | (29,796) | (29,796) | (16) | (29,812) |
| Capital injection by non-controlling interests | – | – | – | – | – | 45 | 45 |
| **At 31 December 2013** | **859** | **158,099** | **710** | **(64,644)** | **95,024** | **25** | **95,049** |

*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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2013*

## 1. GENERAL INFORMATION

Victory Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The trading of Company's shares has been suspended since 27 September 2006. On 11 June 2012, the Company has fulfilled the resumption conditions set out by the Stock Exchange, as of that date, its shares were resumed trading on the Stock Exchange.

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Suite 1609, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

In the opinion of the directors of the Company (the "Directors"), the parent and ultimate controlling party of the Company is Winsley Investment Limited ("Winsley") which is incorporated in Hong Kong.

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

The Group was principally engaged in the investment holding and trading of motor vehicles during the years ended 31 December 2013 and 2012.

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

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

| | |
|---|---|
| Amendment to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle |
| Amendment to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 27 (as revised in 2011) | Separate Financial Statements |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joints Ventures |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

Except as described below, the application of the new and revised HKFRSs and HKASs 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.

***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

***HKFRS 13 Fair Value Measurement***

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

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

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle[2] |
| HKFRS 9 | Financial Instruments[3] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| HKFRS 14 | Regulatory Deferral Accounts[4] |
| Amendments to HKAS 19 | Defined Benefits Plans: Employee Contributions[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| HK(IFRIC) – Int 21 | Leives[1] |

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[3] Available for application – the mandatory effective will be determined when the outstanding phases of HKFRS 9 are finalised.

[4]. Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

***Annual Improvements to HKFRSs 2010-2012 Cycle***

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

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

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

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

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

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

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

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group’s consolidated financial statements.

***Annual Improvements to HKFRSs 2011-2013 Cycle***

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

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

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

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

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

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

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* will have a material effect on the Group's consolidated financial statements.

***HKFRS 9 Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

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

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

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

The Directors do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

***Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities***

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The Directors do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

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

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

## 3. REVENUE

| | **2013** *HK$'000* | 2012 *HK$'000* |
|---|---|---|
| Trading and distribution of second hand left-hand-drive motor vehicles | **29,963** | 71,735 |

## 4. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the board of directors of the Company, being the chief operating decision maker for the purposes of allocation of resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

The Group has only one operating and reportable segment, represented the trading and distribution of motor vehicles, for the years ended 31 December 2013 and 2012. Since this is the only one operating and reportable segment of the Group, no further analysis thereof is presented. All the revenue of the Group are generated from trading and distribution of motor vehicles for the years ended 31 December 2013 and 2012.

**Geographical information**

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

**Information about major customers**

There was no single customer contributing over 10% of total sales of the Group during the years ended 31 December 2013 and 2012.

## 5. OTHER INCOME

| | **2013** *HK$'000* | 2012 *HK$'000* |
|---|---|---|
| Waiver of interest on other loan | **–** | 2,499 |
| Interest income | **106** | 13 |
| Exchange gain | **–** | 354 |
| Other income | **22** | 957 |
| | **128** | 3,823 |

## 6. FINANCE COSTS

Interest on bank and other borrowings wholly repayable within five years:

| | **2013** *HK$'000* | 2012 *HK$'000* |
|---|---|---|
| Interest on: | | |
| – Bank borrowings | **–** | 223 |
| – Other borrowings *(Note)* | **–** | 1,318 |
| – Bills payables | **–** | 28 |
| – Imputed interest on promissory note payable | **3,970** | 1,439 |
| | **3,970** | 3,008 |

*Note:*

It included overdue interest for overdue loans from an independent third party and a financial institution amounted to approximately HK$591,000 and HK$727,000, respectively for the year ended 31 December 2012. Those borrowings have been settled during the year ended 31 December 2012.

## 7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong Profits Tax has been provided in both years as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 December 2013 and 2012.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

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.

## 8. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration | | |
| – Audit services | **450** | 400 |
| – Other services | **100** | 320 |
| | **550** | 720 |
| Cost of inventories recognised as an expense | **29,625** | 67,828 |
| Amortisation of prepaid lease payments | **381** | 381 |
| Depreciation of property, plant and equipment | **208** | 120 |
| Loss on written off/disposal of property, plant and equipment | **15** | 16 |
| Impairment loss recognised in respect of inventories included in administrative expenses | **7,225** | – |
| Minimum lease payments under operating lease in respect of rented premises | **384** | 311 |
| Staff costs | **2,930** | 3,874 |

## 9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

## 10. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the loss attributable to owners of the Company of approximately HK$29,796,000 (2012: profit of HK$38,791,000) and the weighted average of 859,146,438 (2012: 490,592,443) ordinary shares of the Company in issue during the year.

No diluted earnings per share has been presented as there was no dilutive potential ordinary share for the years ended 31 December 2013 and 2012.

## 11. INVENTORIES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Second hand left-hand-drive motor vehicles | **10,587** | 28,560 |
| Right-hand-drive motor vehicles | **17,784** | – |
| | **28,371** | 28,560 |

Inventories are stated at the lower of cost and net realisable value. At 31 December 2013, approximately of HK$10,587,000 was stated at net realisable value (2012: Nil).

## 12. TRADE RECEIVABLES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **–** | 263 |

The Group allows an average credit period of 30 days to its trade customers. The following is an analysis of trade receivables by age, presented based on the date of delivery of goods which approximated the revenue recognition dates at the end of the reporting period:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **–** | 263 |

As at 31 December 2013 and 2012, all of the trade receivables are neither past due nor impaired.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted and up to the reporting date. In view of the good settlement history from the debtors of the Group, the Directors consider that there is no impairment loss should be recognised for the year. The Group does not hold any collateral over these balances.

## 13. TRADE PAYABLES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **100** | 1,990 |

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1-30 days | **–** | 570 |
| 31-60 days | **–** | – |
| 61-90 days | **–** | 1,320 |
| Over 1 year | **100** | 100 |
| | **100** | 1,990 |

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

## 14. SHARE CAPITAL

| | Par value per share HK$ | Number of shares | Amount HK$'000 |
|---|---|---|---|
| **Authorised:** | | | |
| At 1 January 2012 | | | |
| Ordinary shares of HK$0.1 each | 0.1 | 500,000,000 | 50,000 |
| Additions *(Note a)* | 0.1 | 1,020,558,640 | 102,056 |
| | 0.1 | 1,520,558,640 | 152,056 |
| Share consolidation *(Note b)* | N/A | (1,444,530,708) | – |
| | 2.0 | 76,027,932 | 152,056 |
| Share split *(Note b)* | N/A | 151,979,836,068 | – |
| At 31 December 2012, 1 January 2013 and 31 December 2013 | | | |
| Ordinary shares of HK$0.001 each | 0.001 | 152,055,864,000 | 152,056 |

| | Par value per share HK$ | Number of shares | Amount HK$'000 |
|---|---|---|---|
| **Issued and fully paid:** | | | |
| At 1 January 2012 | | | |
| Ordinary shares of HK$0.1 each | 0.1 | 154,801,160 | 15,480 |
| Share consolidation *(Note b)* | N/A | (147,061,102) | – |
| | 2.0 | 7,740,058 | 15,480 |
| Share reduction *(Note b)* | N/A | – | (15,472) |
| | 0.001 | 7,740,058 | 8 |
| Open offer *(Note c)* | 0.001 | 851,406,380 | 851 |
| At 31 December 2012, 1 January 2013 and 31 December 2013 | | | |
| Ordinary shares of HK$0.001 each | 0.001 | 859,146,438 | 859 |

*Notes:*

(a) Pursuant to the Company's circular dated 16 April 2012, prospectus dated 18 May 2012 and the special resolution passed at the Company's special general meeting held on 7 May 2012, the authorised share capital of the Company has been increased from HK$50,000,000, divided into 500,000,000 shares of HK$0.10 each (the "Share(s)") to HK$152,055,864 divided into 1,520,558,640 Shares of HK$0.10 each by the creation of an additional 1,020,558,640 Shares of HK$0.10 each.

(b) Pursuant to the Company's circular dated 16 April 2012, prospectus dated 18 May 2012 and the special resolution passed at the Company's special general meeting held on 7 May 2012, every twenty shares of HK$0.10 each in the share capital of the Company had been consolidated into one share of HK$2.00 each (the "Consolidated Share(s)"). The par value of each of the issued Consolidated Shares had been reduced from HK$2.00 to HK$0.001 each by cancelling the paid-up capital to the extent of HK$1.999 per issued Consolidated Share (the "Capital Reorganisation"). The credit arising from the Capital Reorganisation will be applied to set-off against the accumulated losses of the Company. Immediately following the capital reduction, each authorised Consolidated Share will also be sub-divided into 2,000 adjusted shares with a par value of HK$0.001 each.

(c) Pursuant to the Company's circular dated 16 April 2012, prospectus dated 18 May 2012 and the special resolution passed at the Company's special general meeting held on 7 May 2012, the Company has made an open offer on the basis of one hundred and ten offer shares for every one share held on the 17 May 2012 at the subscription price of HK$0.13 per offer share. On 7 June 2012, 851,406,380 ordinary shares had been issued under the open offer accordingly.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

The Group had revenue of approximately HK$29,963,000 for the year ended 31 December 2013. Net loss attributable to owners of the Company for the year was approximately HK$29,796,000.

### Business review

The principal activities of the Group were investment holding and trading of motor vehicles. The core business of the Company during the year was car sales business and principally engaged in the trading and distribution of second hand left-hand-drive motor vehicles. The primary market of the core business is mainland China.

During the year, the slow recovery of the global economic environment and the slowdown of market growth in mainland China have posed challenges to motor vehicles business. The supply and demand disparities due to the over production of cars in mainland China has led to drop on selling price of new car and affecting the demand of second-hand car. On the other hand, advanced car brand in China have started to operate second-hand car sales business in mainland and the implemented of limited license order in China cause the motor vehicle market worse.

Comparing to last financial year, the audited net loss for 2013 was primarily caused by the completion of the Acquisition took place on 5 June 2012 and the weakness of business environment. It including increase of approximately HK$6,446,000, HK$7,524,000 and HK$962,000 in selling and distribution expenses, administrative expenses and finance costs respectively, and decrease of approximately HK$3,569,000, HK$3,695,000, HK$24,566,000 and HK$21,834,000 in gross profit, other income, fair value change on contingent consideration and gain on bargain purchases of subsidiaries respectively.

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

### Liquidity, financial resources and funding

The current ratio of the Group at the end of 2013 was 4.99 (2012: 4.27). No gearing ratio, resulting from a comparison of the total borrowings with total equity of the Group at 31 December 2013 (2012: Nil) as there was no borrowing at 31 December 2013 (2012: Nil).

At as 31 December 2013, the Group had no trade receivables (2012: HK$263,000) and trade payables amounted to approximately HK$100,000 (2012: HK$1,990,000). There had inventories amounted to approximately HK$28,371,000 as at 31 December 2013 (2012: HK$28,560,00).

As at 31 December 2013, the Group's net current assets amounted to approximately HK$69,818,000 (2012: HK$81,494,000) and net assets amounted to approximately HK$95,049,000 (2012: HK$124,816,000). At the same day, the Group's bank balances and cash amounted to approximately HK$13,383,000 (2012: HK$24,675,000). There was no bank and other borrowings at 31 December 2013 (2012: Nil).

**Material acquisitions and disposals of subsidiaries and associated companies**

Pursuant to the circular of the Company dated 16 April 2012, the Group has entered into a sale and purchase agreement (the "Agreement") with Long Triumph Holdings Limited (the "Vendor") and Ms. Leung Oi Lan, Kit (the "Guarantor/Ms. Leung") for acquiring the entire issued share capital of Jumbo Chance Holdings Limited ("Jumbo Chance"), at an aggregate consideration of HK$60,000,000 (the "Jumbo Chance Acquisition"). The consideration will be satisfied by the Company as to i) HK$38,000,000 in cash; and ii) the issue of a HK$22,000,000 promissory note (the "Promissory Note") upon completion. The Promissory Note was interest free and cannot be converted into shares of the Company. On 5 June 2012, the Group has completed the Jumbo Chance Acquisition.

Pursuant to the Agreement, the Vendor and the Guarantor has jointly, severally, irrevocably and unconditionally warranted, guaranteed and undertaken to and with the Company that the consolidated net profits of Jumbo Chance and its subsidiaries (collectively referred to as the "Jumbo Chance Group") for each of the one-year period from 1 April 2012 to 31 March 2013 (the "First Relevant Period") and the one-year period from 1 April 2013 to 31 March 2014 (the "Second Relevant Period") as to be shown in the audited accounts of the Jumbo Chance Group for such period to be prepared by a certified public accountants acceptable to the Company shall not be less than HK$15,000,000 (the "Target Sum").

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

The Shortfall Amount shall be deducted from any outstanding amounts due to the Vendor under the Promissory Note and to the extent insufficient to cover the Shortfall Amount, shall be paid by the Vendor to the Company in cash within seven business days after the issue of the audited consolidated accounts of the Jumbo Chance Group for the relevant years. The Shortfall Amount to be paid by the Vendor and the Guarantor under the Agreement shall, in no event, exceed HK$30,000,000.

As the Jumbo Chance Group has incurred a loss of approximately HK$263,000 for the period from 1 April 2012 to 31 December 2012, the Directors expected that Jumbo Chance Group would not be able to meet the Target Sum for the First Relevant Period and Second Relevant Period and according to the valuation report issued by BMI Appraisals Limited ("BMI"), an independent professional valuer, the fair value of the contingent asset arising from the failure to meet the Target Sum for the First Relevant Period and the Second Relevant Period at 31 December 2012 is amounting to approximately HK$17,043,000 and HK$9,955,000 respectively. Hence, an amount of approximately HK$26,998,000 has been recognised as a fair value change on contingent consideration accordingly for the year ended 31 December 2012.

For the First Relevant Period, the Jumbo Chance Group has incurred a consolidated loss of approximately HK$3,962,000 and failed to meet the Target Sum, the Group is entitled for the Shortfall Amount of approximately HK$18,962,000 for the First Relevant Period. Pursuant to the Agreement, the Group and the Vendor agreed to settle the Shortfall Amount by offsetting the Promissory Note for approximately HK$18,962,000. Also, according to the valuation report issued by BMI, an amount of approximately HK$2,432,000 has been recognised as gain on change in fair value of contingent consideration in the consolidated statement of profit or loss for the year ended 31 December 2013.

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

**Human resources**

As at 31 December 2013, the Group had a total of 9 (2012:19) employees. The remuneration was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs including directors' remuneration, for the period amounted to approximately HK$2,930,000 (2012: HK$3,874,000). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

The Group has implemented a provident fund scheme for its staff in compliance with requirements of the Mandatory Provident Fund ("MPF") Schemes Ordinance from 1 December 2000.

The Group did not operate any share option schemes for its Directors or employees.

**Contingent liabilities**

There was a loan of HK$3,500,000 borrowed from a financial institution together with the interest thereon should be repaid on 27 September 2011. As the Group failed to settle an outstanding amount as at 27 September 2011, further interest had been charged on the outstanding amount at the rate of 3% per month. The principal amount which included the principal amount and the accumulated loan interest payable were outstanding as at 31 December 2011. The Group breached the repayment terms of the loan. As a result, a claim may be made against the Group by the financial institution for the immediate repayment of the principal amount and accrued interest together with the said expenses, and instituting legal proceedings against the Group.

During the year ended 31 December 2012, the Company settled the loan of HK$3,500,000, together with the accumulated interest.

**Capital commitment**

On 1 June 2010, the Company entered into an agreement with the Vendors in relation to the Jumbo Chance Acquisition at an aggregate consideration of HK$60,000,000. There was no capital commitment in respect of the Acquisition at 31 December 2013 (2012: Nil).

The Acquisition was completed on 5 June 2012 and the consideration was satisfied in cash and promissory note.

**Future outlook**

At 5 June 2012, all the Resumption Conditions have been fulfilled and complied with all the Resumption Conditions and resumed of trading in the shares on 11 June 2012. The Group had been reorganised and has adequate resources to continue with sustainable business operations.

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

The Group had incorporated new subsidiaries with independent third parties for trading of right-hand-drive motor vehicles in Hong Kong to expand its business. In addition, the Group has obtained the money lenders licence during the year and commencing the money lending business in late March 2014.

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

## 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.

## AUDIT COMMITTEE

The Group's 2013 audited consolidated financial statements had been reviewed by the audit committee of the Company (the "Audit Committee"), which comprises three independent non-executive Directors, before they were duly approved by the Board under the recommendation of the Audit Committee.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2013 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.

## CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, 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.

## ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the shareholders of the Company will be held on a date to be fixed by the Board. Notice of Annual General Meeting will be published and despatched to the shareholders in due course.

## OTHER INFORMATION

All the financial and other related information required by the Listing Rules in relation to the annual results announcement of the Company is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.victoryg.com). The Annual Report will be despatched to shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

On behalf of the Board
**Chan Chun Choi**
*Chairman and Managing Director*

Hong Kong, 20 March 2014

*As at the date of this announcement, the Board comprises Mr. Chan Chun Choi, Ms. Lo So Wa Lucy (formerly known as Lu Su Hua) and Mr. Chan Kingsley Chiu Yin as executive directors; Mr. Ip Ka Keung, Dr. Lam King Hang and Mr. Cheung Man Fu as independent non-executive directors.*