VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(the "Company")
(Stock Code : 1139)

SUMMARISED UNAUDITED INTERIM RESULTS ANNOUNCEMENT

The board of directors of the Company (the "Board") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 (the "Period") together with the comparative figures for the corresponding period last year (the "Last Period") as follows:

		Six months ended 30 June	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Turnover	*1*	**1,060**	839
Cost of sales		**(800)**	(369)
Gross profit		**260**	470
Other revenue	*2*	**144**	159
Selling and distribution costs		**(21)**	(43)
Administrative expenses		**(1,265)**	(1,755)
Other operating expenses		**(3)**	–
Loss from operating activities	*3*	**(885)**	(1,169)
Finance costs	*4*	**(634)**	(171)
Loss before taxation		**(1,519)**	(1,340)
Taxation	*5*	**–**	–
Net loss from ordinary activities attributable to shareholders		**(1,519)**	(1,340)

Interim dividend	*6*	**–**	–
Loss per share	*7*	**(0.14 cents)**	(0.14 cents)

Notes:

Basis of presentation

The consolidated interim accounts were unaudited and had been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and on a basis consistent with the accounting policies adopted in the Group's audited annual financial statements for the year ended 31 December 2004.

The consolidated interim accounts had also been prepared in accordance with all applicable disclosure requirements of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA had issued a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are generally effective for accounting periods beginning on or after 1 January 2005. In the Period, the Group had applied, for the first time, the new HKFRSs and such application had not resulted in a material change in the presentation of the Group's financial statements for the Period.

1. Turnover

Turnover represents the invoiced value of inventories sold, net of discounts and returns, and rental income. There had been no change in the Group's principal activities during the Period, focusing mainly on the marketing and distribution of automotive products and property holding for rental income purposes.

Segment information

The analysis of the principal activities and geographical locations of the operations of the Group during the Period are as follows:

(a) Business segments:

	Six months ended 30 June 2005 HK$'000	2004 HK$'000	*Effect*
Turnover			
Trading of automotive products	**960**	739	*29.9%*
Rental income	**100**	100	–
	1,060	839	*26.3%*
Operating loss			
Trading of automotive products	**(802)**	(1,030)	*22.1%*
Rental income	**(83)**	(139)	*40.3%*
	(885)	(1,169)	*24.3%*

(b) Geographical segments:

	Six months ended 30 June 2005 HK$'000	2004 HK$'000	*Effect*
Turnover			
Hong Kong	**100**	100	–
China	**960**	739	*29.9%*
	1,060	839	*26.3%*
Operating loss			
Hong Kong	**(83)**	(139)	*40.3%*
China	**(802)**	(1,030)	*22.1%*
	(885)	(1,169)	*24.3%*

2. Other revenue

	Six months ended 30 June 2005 HK$'000	2004 HK$'000
Interest income	**–**	–
Miscellaneous	**144**	159
	144	159

3. **Loss from operating activities**

Loss from operating activities was arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Depreciation	**1**	1
Staff costs (including directors' remuneration)	**573**	1,023
Mandatory Provident Fund contribution	**17**	23
Bad debt recovered	**(144)**	(144)
Cost of inventories	**800**	369
Gross and net rental income	**(100)**	(100)

4. **Finance costs**

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and trust receipt loans	**634**	171

5. **Taxation**

No provision for Hong Kong profits tax had been provided as there were no assessable profits earned in or derived from Hong Kong during the Period (Last Period: nil).

6. **Interim dividend**

The Board did not recommend the payment of an interim dividend for the Period (Last Period: nil).

7. **Loss per share**

The calculation of basic loss per share for the Period was based on the net loss attributable to shareholders of HK$1,519,000 for the Period (Last Period: net loss attributable to shareholders of HK$1,340,000) and on the weighted average of 1,075,011,600 (Last Period: 945,158,000) ordinary shares in issue over the Period.

No diluted loss per share for the Period and the Last Period had been presented as the exercise of the potential ordinary shares would result in a reduction in loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim results

Although the unaudited turnover in the Period had been significantly increased as compared to that in the Last Period, the gross profit margin slipped almost 45 per cent as a result of the adverse price war in the automotive industry since early this year. The unaudited net loss attributable to shareholders for the Period amounting to HK$1,519,000 was therefore worsen by 13 per cent as compared with that of Last Period. Other revenue also experienced a slight decrease of 9 per cent in the Period. The continuous rise in interest rates during the Period resulted in heavier burden on the Group's financial costs, almost a three-folded increase of those incurred in the Last Period.

Business Review

The Group principally engaged in the marketing and wholesale distribution of automotive products. Suffering the similar reasons as pervious years, the turnover in the Period failed to achieve a breakthrough under the shortage of banking facilities.

The price wars between automakers and the rising raw material costs in the mainland, the Group's principal trading field and the world's third-largest auto market, had shrank the industry's profit margin to 6.6 per cent in the first half of this year. In lack of funding with profits falling following rounds of price wars, the Group's distributorship business in China had been seriously tampered to a further difficult operational environment in the Period.

Future Outlook

The Company still carries an optimistic view on Hong Kong's economic prospect, which will enable the Group's bankers to restore confidence on the Company's future. Although automotive sales on the mainland is expected to grow 10 to 15 per cent this year, the price wars between automakers had cut the overall profit margin of the industry. The price wars will continue until those brands that are less competitive are being driven out. Profit margins are likely to shrink further because of the surge in the price of steel, the main raw material for car assemblers and parts makers.

The Company will continue to reinforce its commitment in improving its performance in years ahead. The management of the Company will also keep on exercising stringent cost control, quality assurance, and expense control to minimize operating costs through enhanced flexibility and efficiency.

Risk Management

During the Period, the Group had no exposure to credit risk, inventory risk, fluctuation in exchange rates and any related hedges because our tight control of working capital management on the credit policies, inventory, funding and treasury planning was proven effective. Since all the purchases of our merchandise had been fixed at an agreed exchange rate prior to the confirmation of purchase orders by the Group to its vendors, the Group had no exposure to fluctuation in exchange rates and any related hedges.

Financial Summary

The Group's trade receivables at 30 June 2005 stayed at HK$760,000 which were less than 3-month old; therefore, the directors of the Company (the "Directors") considered unnecessary to provide provision for doubtful debts for the Period.

Within the Period, the Group continuously carried no inventories of any kind whatsoever (31 December 2004: nil). The Group has undertaken a highly efficient inventory system by maximising our funding availability in production of revenue. Based on the back-to-back ordering system, the Directors believed that the Company carried the least possible inventory risk and therefore it was unnecessary to make any provision for the Period.

At 30 June 2005, the Group's net current liabilities and net liabilities were HK$18,994,000 and HK$6,294,000 respectively (31 December 2004: HK$17,435,000 and HK$4,775,000 respectively). At the same day, the Group's cash and bank balances amounted to HK$1,134,000 (31 December 2004: HK$2,777,000). The total bank loans and overdrafts at 30 June 2005 were increased to HK$15,018,000 from such balances of HK$14,559,000 at 31 December 2004. Same as the last year-end date, time deposits were no longer pledged to back the banking facilities granted to the Group at 30 June 2005.

In terms of liquidity, the current ratio at the end of the Period was 0.09 (31 December 2004: 0.14). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital was 1.95 at 30 June 2005 (31 December 2004: 1.89).

For the Period, the Directors are not aware of any significant change from the position as at 31 December 2004 and the information published in the report and accounts for the year ended 31 December 2004. Throughout the Period, the capital structure of the Company only consisted of share capital, no other capital instrument was issued by the Company.

Contingent Liabilities

At 30 June 2005, contingent liabilities not provided for in the interim results were banking facilities, totaling HK$15,018,000 (31 December 2004: HK$14,559,000), guaranteed by the Company which were utilized by its subsidiaries.

Significant Issues

During the Period, there had been no significant investment and material acquisitions or disposals of subsidiaries or associated companies. Also, there is no plan for material investments or capital assets in the near future mainly because of the Group's limited funding position. Furthermore, the Company and the Group had made no significant commitments during the Period (Last Period and the year ended 31 December 2004: nil).

Pledge of Assets

The Group's land and buildings with an aggregate net book value of HK$12.7 million (31 December 2004: HK$12.7 million) were pledged to secure bank loans and overdraft of the Group.

Employees

Same as its last year-end date, the Group had a total of 8 employees, of whom 5 were based in Hong Kong whereas 3 was local staff employed in China. The remuneration package for Hong Kong staff was strictly on a monthly-salary basis and that for the mainland employees was performance oriented. 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 for the Period were largely reduced to HK$573,000 (Last Period: HK$1.02 million). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

Purchase, Sale or Redemption of Shares in the Company

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the Period (Last Period and the year ended 31 December 2004: nil).

Corporate Governance

The Company's 2005 unaudited interim financial statements had been reviewed by the audit committee of the Company (the "Audit Committee") before they were duly approved by the Board under the recommendation of the Audit Committee.

In the opinion of the Directors, the Company had complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Period. The Company had received, from each of the independent non-executive Directors, a verbal confirmation of their independence in respect of the preparation of the 2005 interim financial statements.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company had made specific enquiries of all Directors regarding any non-compliance with the Model Code during the Period, and received confirmations from all Directors that they had fully complied with the required standard set out in the Model Code.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2005 unaudited interim 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 Listing Rules throughout the Period.

Other information

The Company's 2005 interim report, which set out all the information required by paragraphs 46(1) to 46(9) inclusive in Appendix 16 to the Listing Rules, will be available for publication on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) within 21 days from the date of this announcement.

On behalf of the Board
Chan Chun Choi
Chairman

Hong Kong, 5 September 2005

As at the date hereof, the Board comprises of Mr. Chan Chun Choi, Ms. Lu Su Hua, both of whom are executive directors, Mr. Ng Chi Shing, Mr. Yuen Kwok Wah, Bernard, and Mr. Lam Williamson, who are independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.