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VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1139)

(the “Company”)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “Board”) of Victory Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2016 (the “Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	3,301	5,086
Interest income		1,618	1,751
Others		1,683	3,335
Cost of sales		(1,576)	(3,225)
Gross profit		1,725	1,861
Other income		33	47
Selling and distribution expenses		(902)	(5,402)
Administrative expenses		(7,823)	(6,970)
Share of loss of a joint venture		(8)	—
Operating loss		(6,975)	(10,464)
Finance costs		—	(37)
Loss before tax		(6,975)	(10,501)
Income tax expense	6	(167)	(186)
Loss and total comprehensive expense for the period	7	(7,142)	(10,687)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		(6,457)	(10,666)
Non-controlling interests		(685)	(21)
		(7,142)	(10,687)
Loss per share			
Basic (HK cents)	9	(0.75)	(1.24)
Diluted (HK cents)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,877	2,251
Prepaid lease payment – non-current portion		11,615	11,805
Interest in a joint venture		502	–
Prepayments – non-current portion		300	1,200
Loan and interest receivables – non-current portion	11	1,514	278
		<u>15,808</u>	<u>15,534</u>
CURRENT ASSETS			
Inventories		10,284	11,995
Loan and interest receivables	11	13,857	10,586
Prepayments, deposits and other receivables		11,906	14,809
Prepaid lease payment		381	381
Amount due from a joint venture		9	–
Bank balances and cash		3,139	10,073
		<u>39,576</u>	<u>47,844</u>
CURRENT LIABILITIES			
Other payables and accruals		3,097	2,607
Deposit received		5	5
Amount due to a director		494	2,003
Amount due to a minority shareholder		4,889	4,889
Tax payable		479	312
		<u>8,964</u>	<u>9,816</u>
NET CURRENT ASSETS		<u>30,612</u>	<u>38,028</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>46,420</u></u>	<u><u>53,562</u></u>
CAPITAL AND RESERVES			
Share capital	12	859	859
Reserves		46,891	53,348
		<u>47,750</u>	<u>54,207</u>
Equity attributable to owners of the Company		(1,330)	(645)
Non-controlling interests			
TOTAL EQUITY		<u><u>46,420</u></u>	<u><u>53,562</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

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

The condensed 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 six months ended 30 June 2016, the Group was principally engaged in investment holding, trading of motor vehicles and money lending business.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10,	Investment Entities: Applying the Consolidation
HKFRS 12 and HKAS 28	Exception
Annual Improvements Project	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE

Revenue represents the gross proceeds received and receivable from trading of motor vehicles and money lending business. The following is an analysis of the Group's revenue:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Trading of motor vehicles	1,683	3,335
Interest income from loan financing	1,618	1,751
	3,301	5,086

5. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Trading of motor vehicles	–	Trading and distribution of motor vehicles
Money lending	–	Business of money lending and provision of credits

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2016 (Unaudited)

	Trading of motor vehicles HK\$'000	Money lending HK\$'000	Total HK\$'000
Revenue	1,683	1,618	3,301
Segment results	(6,213)	1,361	(4,852)
Unallocated corporate expenses			(2,123)
Loss before tax			(6,975)

For the six months ended 30 June 2015 (Unaudited)

	Trading of motor vehicles <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>3,335</u>	<u>1,751</u>	<u>5,086</u>
Segment results	<u>(9,840)</u>	<u>1,489</u>	(8,351)
Unallocated corporate income			22
Unallocated corporate expenses			(2,135)
Finance costs			<u>(37)</u>
Loss before tax			<u>(10,501)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2016 and 2015.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

At 30 June 2016 (Unaudited)

	Trading of motor vehicles <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	19,013	17,837	36,850
Unallocated corporate assets			<u>18,534</u>
Total assets			<u>55,384</u>
Segment liabilities	5,448	–	5,448
Unallocated corporate liabilities			<u>3,516</u>
Total liabilities			<u>8,964</u>

At 31 December 2015 (Audited)

	Trading of motor vehicles <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	25,185	19,933	45,118
Unallocated corporate assets			<u>18,260</u>
Total assets			<u>63,378</u>
Segment liabilities	4,907	–	4,907
Unallocated corporate liabilities			<u>4,909</u>
Total liabilities			<u>9,816</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	<u>167</u>	<u>186</u>

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration:		
– Audit services	8	–
– Other services	118	110
Cost of inventories recognised as an expense	1,576	3,225
Amortisation of prepaid lease payment	190	190
Depreciation of property, plant and equipment	374	907
Write-down of inventories included in administrative expenses	1,711	89
Minimum lease payments under operating lease in respect of rented premises	540	776
Staff costs (including directors' emoluments)	<u>1,124</u>	<u>1,099</u>

8. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil). The directors of the Company have determined that no dividend will be paid in respect of interim period.

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on loss for the period attributable to owners of the Company of approximately HK\$6,457,000 (six months ended 30 June 2015: HK\$10,666,000) and the weighted average of 859,146,438 (six months ended 30 June 2015: 859,146,438) ordinary shares of the Company in issue during the six months ended 30 June 2016.

No diluted loss per share has been presented as there was no dilutive potential ordinary share for the six months ended 30 June 2016 and 2015.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, no property, plant and equipment was acquired by the Group (six months ended 30 June 2015: approximately HK\$1,380,000 of property, plant and equipment was acquired).

11. LOAN AND INTEREST RECEIVABLES

	As at	
	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Secured loan and interest receivables	15,371	10,864
Analysed as:		
Current	13,857	10,586
Non-current	1,514	278
	15,371	10,864

The secured loan and interest receivables arising from loan financing business are secured by properties located in Hong Kong and bear fixed interest rate ranging from 16.5% to 30% (31 December 2015: 17% to 30%) per annum. The term of loans entered with customers ranges from 1 month to 180 months (31 December 2015: 2 months to 60 months).

The following table illustrates the ageing analysis, based on the loan drawn down dates, of the loan and interest receivables (net of accumulated impairment losses) outstanding at the end of the reporting period:

	As at	
	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Less than 3 months	7,096	8,004
More than 3 months but less than 6 months	4,158	508
More than 6 months	4,117	2,352
	15,371	10,864

12. SHARE CAPITAL

	Par value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares:			
Authorised:			
At 1 January 2015 (Audited), 30 June 2015 (Unaudited), 31 December 2015 (Audited) and 30 June 2016 (Unaudited)	0.001	152,055,864,000	152,056
Issued and fully paid:			
At 1 January 2015 (Audited), 30 June 2015 (Unaudited), 31 December 2015 (Audited) and 30 June 2016 (Unaudited)	0.001	859,146,438	859

13. RELATED PARTY TRANSACTIONS

(a) Balance with a director

	As at	
	30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)
Non-trade balance due to a director	494	2,003

(b) Key management personnel compensation

The remuneration of the directors of the Company for the six months ended 30 June 2016 and 2015 was as follows:

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Fees, allowances and benefits in kind	479	479
Contributions to retirement benefits scheme	16	16
	495	495

MANAGEMENT DISCUSSION AND ANALYSIS

Interim results

The unaudited turnover in the Period was approximately HK\$3,301,000, representing a decrease of 35.10 per cent as compared to that for the six months ended 30 June 2015 (the “Last Period”) (Last Period: HK\$5,086,000). The unaudited net loss attributable to owners of the Company for the Period was approximately HK\$6,457,000, an improvement of 39.46 per cent as compared with that reported for the Last Period.

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (Last Period: Nil).

Business review

The principal activities of the Group during the Period under review were investment holding, trading of motor vehicles and money lending. The core business of the Group during the Period 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. The money lending business which developed in 2014 widen revenue of the Group.

During the Period, the unstable 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 have led to drop on selling prices of new cars and affected the demand for second-hand cars. The Group strengthens the brand awareness and promotes the development of automotive business in China through cooperation with several vehicle distributors in mainland. Even if the economic growth in China likely slowdown, the Group will take the positive and prudent management strategies to face the challenge.

Future outlook

The slow recovery of the global economic environment and the moderated market conditions in the mainland China, decrease in demand for second-hand cars, may continue to affect the second-hand left hand-drive motor vehicles business of the Group in the coming year. The revenue of money lending business will be stable continually.

The Group had incorporated a new joint venture with independent third parties for trading of imported well-known brand new left-hand-drive motor vehicles in Hong Kong to expand its business in mainland China outside Guangdong Province.

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

Significant investments

The Group did not hold any significant investment during the six months ended 30 June 2016.

Material acquisitions and disposals of subsidiaries and associated companies

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

Segment information

Operating segments, and the amounts of each segment item reported in the condensed 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 resource to, and assessment the performance of, the Group's various lines of business and geographical locations.

For the six months ended 30 June 2016, the Group's revenue were primarily from two business. The segment results of trading of motor vehicles segment recorded losses of approximately HK\$6,213,000 and the segment profit of money lending segment was approximately HK\$1,361,000. Details of segmental information are set out in Note 5 to the condensed consolidated financial information.

In view of the fact that the Company mainly operates in Hong Kong, no geographical segment information is presented.

Employees

As at 30 June 2016, the Group had a total of 9 (Last Period: 7) 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\$1,124,000 (Last Period: HK\$1,099,000). 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 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 on assets

As at 30 June 2016, the Group had pledged building and prepaid lease payments with an aggregate carrying amount of approximately HK\$13,520,000 (31 December 2015: HK\$13,733,000) to secure bank borrowing granted to the Group.

Future plans for material investments and expected sources of funding

The Group had no future plans for material investments as at the date of this report. The management, however, will continue to closely observe the development and operating condition of the industry. It will seek investments in companies or projects that could bring synergy to the Group should the targets or opportunities arise. In addition, the management may also invest in new business projects in situations they consider in favour to the future of the Group. Given to the future business development, the management may fund new projects through fundraising or loans.

Foreign currency exposure

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars (“HK\$”) and Great British Pound (“GBP”). The Group’s foreign currencies are mainly GBP and Japanese Yen (“JPY”). Foreign currency risk arises from financial assets and transactions which were denominated in currencies other than the functional currencies of the Group entities. The Group has bank balances and cash denominated in JPY. The Group currently does not have foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

At 30 June 2016, neither the Group nor the Company had any significant contingent liabilities.

Audit committee

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial results for the six months ended 30 June 2016.

The interim financial reports have been reviewed by the Company’s auditors, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Purchase, sale or redemption of the Company’s listed securities

There was no purchase, sale or redemption of the Company’s shares by the Company or any of its subsidiaries during the Period (31 December 2015: Nil).

Corporate governance

During the six months ended 30 June 2016, the Company had complied with the code provisions (the “Code Provisions”) set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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. During the Period, 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 had complied with, or whether there had been any non-compliance with, the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions. The Company satisfied that all directors had fully complied with the required standard set out in the Model Code.

By Order of the Board
Victory Group Limited
Chan Chun Choi
Chairman and Managing Director

Hong Kong, 19 August 2016

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