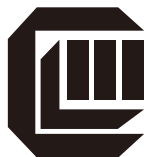


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VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

(the “Company”)

2007 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 INCOME STATEMENT

For the year ended 31 December 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	<i>1</i>	6,585	8,024
Cost of inventories sold		<u>(6,223)</u>	<u>(7,470)</u>
Gross profit		362	554
Other income	<i>2</i>	3,844	308
Selling and distribution expenses		(8)	(33)
Administrative expenses		(3,411)	(4,504)
Other operating expenses		(5)	(52)
Profit/(Loss) from operation		782	(3,727)
Finance costs	<i>3</i>	<u>(1,212)</u>	<u>(2,341)</u>
Loss before taxation	<i>4</i>	(430)	(6,068)
Taxation	<i>5</i>	<u>–</u>	<u>–</u>
Net loss attributable to equity shareholders of the Company		<u>(430)</u>	<u>(6,068)</u>
Dividends	<i>6</i>	<u>–</u>	<u>–</u>
Loss per share – Basic	<i>7</i>	<u>(0.28 cents)</u>	<u>(4.28 cents)</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	2007 HK\$'000	2006 HK\$'000
Non-current assets		
Property, plant and equipment	1,943	1,983
Land lease prepayment	14,604	13,083
	<u>16,547</u>	<u>15,066</u>
	-----	-----
Current assets		
Land lease prepayment	374	327
Trade receivables	–	7,874
Prepayments, deposits and other receivables	63	52
Cash and cash equivalents	30,096	3,858
	<u>30,533</u>	<u>12,111</u>
	-----	-----
Current liabilities		
Trade payables	–	3,387
Other payables and accruals	1,066	3,560
Amount due to a related party	2,197	2,197
Amounts due to directors	4,595	4,901
Bank and other borrowings	41,776	15,256
	<u>49,634</u>	<u>29,301</u>
	-----	-----
Net current liabilities	<u>(19,101)</u>	<u>(17,190)</u>
	-----	-----
Total assets less current liabilities	<u>(2,554)</u>	<u>(2,124)</u>
	-----	-----
Non-current liabilities		
Provision for long service payment	66	66
	<u>66</u>	<u>66</u>
	-----	-----
NET LIABILITIES	<u>(2,620)</u>	<u>(2,190)</u>
	-----	-----
CAPITAL AND RESERVES		
Share capital	15,480	15,480
Reserves	(18,100)	(17,670)
	<u>(2,620)</u>	<u>(2,190)</u>
	-----	-----
TOTAL EQUITY	<u>(2,620)</u>	<u>(2,190)</u>
	-----	-----

DISCLAIMER OF OPINION

The auditors of the Company do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Extracts of the disclaimer opinion from the auditor's report are reproduced below:–

“(a) Scope limitation – Material uncertainty relating to the newly established subsidiary, Oriental Surplus Limited

- (i) Oriental Surplus Limited (“OSL”) is a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands on 2 October 2007. In the opinion of the Directors of the Company, OSL was established for borrowing a loan facility of HK\$30,000,000 from a potential investor, which was secured by the entire share capital of OSL as set out in note 24 to the financial statements. The loan facility is primarily for the purpose of providing funds for costs and expenses of restructuring in relation to the Agreement for the Implementation of a Restructuring Proposal dated 9 November 2007 and as working capital to revitalize the business of the Group. The Directors of the Company represented that OSL has been inactive during the period from its incorporation to the balance sheet date.
- (ii) As further explained by the Directors of the Company in note 2 to the financial statements, the financial statements of OSL have been prepared based on the available books and records maintained by the Company and OSL. However, due to the fact that the Directors of the Company have lost contact with the sole director of OSL since early 2008, the Directors of the Company were unable to represent that all transactions entered into by OSL for the period from 2 October 2007 to 31 December 2007 and subsequent to the balance sheet date have been properly reflected in the books and records and in the financial statements of OSL. In this context, the Directors of the Company were unable to represent as to the completeness and correctness of the financial information of OSL and all the related disclosures required by the Hong Kong Companies Ordinance, Hong Kong Financial Reporting Standards and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including but not limited to the disclosures of commitments, contingent liabilities and events after the balance sheet date included in the financial statements of the Group.

In addition, for the same reasons stated above, we have not been able to obtain all necessary information for us to conduct a review of subsequent events from the balance sheet date up to the date of this report. Such procedures might have resulted in the identification of adjustments to the amounts reported in and/or disclosed as notes to the financial statements of the Group as at 31 December 2007.

There were no alternative audit procedures that we could adopt to satisfy ourselves as to the matters set out above. Any adjustments to the liabilities, commitments and contingent liabilities of OSL may have consequential significant effects on the Group's net liabilities as at 31 December 2007, the Group's loss for the year then ended, and on classification of such items and their related disclosures in the financial statements.

(b) Material uncertainty relating to going concern basis

The Group incurred a loss of approximately HK\$430,000 for the year ended 31 December 2007 and, as at 31 December 2007, the Group had net current liabilities of approximately HK\$19,101,000. In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As detailed in note 2 to the financial statements, the Group is currently undertaking a number of measures to improve its financial and current liquidity position. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group's funding plans, the ongoing support from the Group's bankers, and the attainment of profitable and positive cash flow operations of the Group to meet its future working capital and financial requirements. The financial statements do not include any adjustments that may be necessary should the implementation of such measures be unsuccessful.

We consider that appropriate disclosures have been made in the financial statements concerning this situation, but we consider that this material uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.”

IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7 “Financial instruments: Disclosures” and the amendment to HKAS 1 “Presentation of financial statements: Capital disclosures”, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 “Financial instruments: Disclosure and presentation”.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new and revised HKFRSs, that have been issued but are not yet effective in these financial statements.

Notes:

1. Revenue

Revenue represents the invoiced value of inventories sold, net of discounts and returns, and rental income.

The results of each significant category of revenue recognised in revenue during the years are as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trading of automotive products	6,585	7,874
Gross rental income	–	150
	<u>6,585</u>	<u>8,024</u>

The analysis of the principal activities and geographical locations of the operations of the Group during the financial years is as follows:

(a) Business segments

During the year, the Group is principally engaged in the trading of automotive products; therefore, no business segments analysis of the Group is presented.

In 2006, the Group comprised two major business segments:

- (i) Trading of automotive products
- (ii) Property investment – leasing of office premise

Segment information about the two segments for 2006 is as follows:

	Trading of automotive products 2006 HK\$'000	Property investment 2006 HK\$'000	Inter- segment elimination 2006 HK\$'000	Consolidated 2006 HK\$'000
Segment revenue				
Revenue from external customers	7,874	150	–	8,024
Inter-segment revenue	–	540	(540)	–
	<u>7,874</u>	<u>690</u>	<u>(540)</u>	<u>8,024</u>
Segment result	<u>(1,956)</u>	<u>(406)</u>	<u>–</u>	<u>(2,362)</u>
Unallocated operating income and expenses				(1,541)
Finance costs				<u>(2,165)</u>
Loss before taxation				(6,068)
Taxation				<u>–</u>
Loss attributable to equity shareholders of the Company				<u>(6,068)</u>
Segment assets	8,060	15,489	–	23,549
Unallocated assets				<u>3,628</u>
Total assets				<u>27,177</u>
Segment liabilities	3,989	16	–	4,005
Unallocated liabilities				<u>25,362</u>
Total liabilities				<u>29,367</u>
Other information				
Bad debts recovered	288	–	–	288
Impairment loss on other receivables	–	–	(5)	(5)
Depreciation and amortisation	–	(393)	–	(393)
Impairment loss on land lease prepayment	–	(686)	–	(686)

Inter-segment revenue eliminated on consolidation represents inter-company rental charges on a property owned by the Group. Inter-segment transactions are charged in accordance with the relevant tenancy agreements.

(b) Geographical segments

The Group's operations are located in Hong Kong and the PRC. The Group's trading of automotive products are carried out in the PRC. Property investment is located in Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Hong Kong		The PRC		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	-	150	6,585	7,874	6,585	8,024
Segment assets	47,080	27,177	-	-	47,080	27,177
Capital expenditure	-	-	-	-	-	-

2. Other income

	2007 HK\$'000	2006 HK\$'000
Bad debts recovered	144	288
Foreign exchange gain, net	14	-
Interest income	95	20
Waiver of a loan debt due to an independent creditor	1,696	-
Reversal of impairment loss on land lease prepayment	1,895	-
	<u>3,844</u>	<u>308</u>

3. Finance costs

Interest on bank and other borrowings wholly repayable within 5 years:

	2007 HK\$'000	2006 HK\$'000
Interest on bank overdrafts	185	176
Interest on bank loans	-	1,965
Interest on trust receipt loans	171	-
Interest on bank revolving loan	562	-
Interest on other loan	294	200
	<u>1,212</u>	<u>2,341</u>

4. Loss before taxation

Loss before taxation is arrived at after charging/(crediting) the following:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Auditors' remuneration		
– provision for year	240	186
– overprovision in prior year	(6)	–
	<u>234</u>	<u>186</u>
Amortisation of land lease prepayment	327	344
Cost of inventories sold	6,223	7,470
Depreciation	51	49
Impairment loss on other receivables	5	5
Impairment loss on land lease prepayment	–	686
Foreign exchange (gain)/loss, net	(14)	48
Interest on bank and other borrowings wholly repayable within five years	1,212	2,341
Staff costs (including directors' remuneration)		
– salaries, allowances and other benefits	1,630	1,735
– contributions to defined contribution plans	44	50
	<u>1,674</u>	<u>1,785</u>
Reversal of impairment loss on land lease prepayment	(1,895)	–
Waiver of a loan debt due to an independent creditor	(1,696)	–
Bad debt recovered	(144)	(288)
Interest income	(95)	(20)
Gross rental income	–	(150)
	<u> </u>	<u> </u>

5. Taxation

No Hong Kong or overseas income taxes have been provided for in the financial year as neither the Company nor any of its subsidiaries derived any assessable profit that is subject to Hong Kong or overseas income taxes (2006: HK\$Nil).

6. Dividend

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

7. Loss per share

The calculation of the basic loss per share amounts is based on the net loss for the year attributable to equity shareholders of the Company of HK\$430,000 (2006: HK\$6,068,000), and the weighted average number of ordinary shares in issue during the year of 154,801,160 (2006: 141,865,818), as adjusted to reflect the issue of shares during the year.

Weighted average number of ordinary shares for the purpose of basic loss per share:

	2007	2006
Issued ordinary shares at 1 January	154,801,160	129,001,160
Effect of issue of new shares	–	12,864,658
Weighted average number of ordinary shares	<u>154,801,160</u>	<u>141,865,818</u>

Diluted loss per share for both years had not been calculated as no diluting events existed during those years.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 December 2007, the Group recorded turnover of HK\$6.58 million. Net loss attributable to equity shareholders of the Company for the year was HK\$0.43 million.

Business Review

Comparing to last financial year, the decreased audited net loss for 2007 was primarily due to a waiver of loan debt due to an independent creditor of approximately HK\$1.7 million and reversal of impairment loss on land lease prepayment of approximately HK\$1.9 million.

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.

Since the last quarter of 2006, the Group commenced the marketing and distribution of LED auto products in order to make a new stream of distribution to the earnings of the Group.

During the year under review, the Group achieved a turnover and the profit margin of approximately HK\$6.58 million and HK\$0.36 million respectively out of the distribution of LED auto products.

Liquidity and Financial Resources

The current ratio of the Group in 2007 was 0.62 (2006: 0.41). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital was 3.21 (2006: 1.89). Details of the Group's exposure to credit risk, liquidity risk, fluctuation in exchange rates, interest rate risk and any related hedges are as follows:

Credit risk

The Group's maximum exposure to credit risk is represented by the carrying amount of cash balances at banks which are concentrated on a single counterparty. The credit risk and the concentration of credit risk on these assets is limited because the cash and bank balances were placed with licensed and creditworthy commercial banks in Hong Kong.

Liquidity risk

The Group is exposed to liquidity risk on financial liabilities. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from the Group's bankers to meet its liquidity requirements in the short and longer term.

Foreign currency risk

The Group has certain financial assets and liabilities which are denominated in foreign currencies which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group is exposed to cash flow interest rate risk primarily arising from bank overdrafts, bank revolving loan and trust receipt loans which carrying at floating interest rates. The Group is also exposed to fair value interest rate risk primarily arising from the fixed rate pledged bank deposit and fixed other loan.

At as 31 December 2007, the Group had no trade receivables and trade payables (2006: HK\$7,874,000 and HK\$3,387,000, respectively). There had also been no inventories as last year-end date due to limited working fund.

As at 31 December 2007, the Group's net current liabilities amounted to HK\$19,101,000 (2006: HK\$17,190,000) and net liabilities amounted to HK\$2,620,000 (2006: HK\$2,190,000). At the same day, the Group's cash and bank balances amounted to HK\$30,096,000 (2006: HK\$3,858,000). The total bank and other borrowings at 31 December 2007 were HK\$41,776,000 (2006: HK\$15,256,000).

The Group borrowed a loan of HK\$30 million pursuant to a loan agreement dated 28 December 2007 from a potential investor. The loan facilities are primarily for the purpose of providing funds for costs and expenses of restructuring in relation to an Agreement for the Implementation of a Restructuring Proposal dated 9 November 2007 and as working capital to revitalize the business of the Group. The loan is secured by a share mortgage in respect of entire issued share capital in a wholly-owned subsidiary of the Company, OSL, interest free and repayable on demand. OSL is incorporated in the British Virgin Islands on 2 October 2007. In the opinion of the Directors, OSL was established for borrowing a loan facility of HK\$30,000,000 from the said investor. As at the date of this announcement, the 2007 restructuring proposal entered into between the said investor and the Company has lapsed.

Future Outlook

As of the date of this announcement, the Board has been restructured and the management has put in all their effort to formulate a viable resumption proposal. 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 and turning the bottom-line around. Upon successfully reorganized, the Group will have adequate resources to continue with sustainable business operations. The Board has confidence to bring the Company back profitable track once the trading of the Company's shares is resumed.

Delayed Publication of the 2007 Annual Results

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company was obliged to publish its 2007 annual report and the related results announcement on or before 30 April 2008. The publication of the Group’s 2007 annual results announcement and the despatch of the 2007 annual report were delayed solely because the annual audit for the year ended 31 December 2007 was hindered as the Company failed to settle the professional fees due to its auditors, Lak & Associates C.P.A. Limited (the “Auditor”). The Board also confirms that the Company did not have any disagreement with the Auditor in the course of the preparation of the audited report for the financial year ended 31 December 2007.

Suspension of Trading

At the request of the Company, trading of the Company’s shares has been suspended since 27 September 2006. On 18 December 2008, the Listing Committee of the Stock Exchange decided to place the Company in the third stage of the delisting procedures in accordance with Practice Note 17 of the Listing Rules. The Company will submit a viable resumption proposal to the Stock Exchange as soon as possible.

Employees

As at 31 December 2007, the Group had a total of 4 employees (2006: 6 employees), of whom all 4 (2006: 5) were based in Hong Kong and no local staff was employed in the PRC (2006: 1). 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 for the year amounted to HK\$1,674,000 (2006: HK\$1,785,000). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

Contingent Liabilities

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	The Group		The Company	
	2007	2006	2007	2006
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Other borrowing guaranteed by the Company which were utilised by a subsidiary (<i>note</i>)	—	—	—	11,173

Note: It represented the guarantee in respect of the secured other loan granted by a lender to a subsidiary of the Company, Hong Kong Waho Development Limited. Pursuant to the terms of the guarantee, upon default in loan repayments by the subsidiary, the Company is responsible for repaying the outstanding loan principals together with the accrued interest and penalty owed by the subsidiary to the lender and the lender is entitled to take over the legal title and possession of the pledged property of the Group. Such guarantee was released during the current year upon the full repayment of the other loan by the subsidiary.

No financial liabilities were recorded as, in the opinion of the Directors, the fair values of the financial guarantee contracts were not significant at 31 December 2006.

Save as disclosed above, the Group did not have other material contingent liabilities as at the balance sheet date.

Significant Issues

During the years presented, save and except for OSL, there were no significant investments and material acquisitions or disposals of subsidiaries or associated companies.

There was also no material change in capital structure and pledge of assets of the Group during the two years presented.

For the year ended 31 December 2007, the Directors are not aware of any significant change from the position as at 31 December 2006 and the information published in the report and accounts for the year ended 31 December 2006. The capital structure of the Company only consists of share capital, no other capital instrument was issued by the Company.

Pledge of Assets

The Group's leasehold building and land with an aggregate carrying amount of HK\$16,913,000 (2006: HK\$15,393,000) and a pledged bank deposit of HK\$Nil (2006: HK\$3,588,000) were pledged to secure bank and other borrowings of the Group. The Group borrowed a loan of HK\$30 million from a potential investor pursuant to a loan agreement dated 28 December 2007. The loan is secured by a share mortgage in respect of entire issued share capital in OSL, interest free and repayable on demand.

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.

Acquisitions and disposals of subsidiaries and associates

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

Corporate Governance

The Company's 2007 audited 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.

In the opinion of the Directors, the Company had complied with the code provisions as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the 2007 annual report.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2007 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.

In addition to the above disclosures, the Company's 2007 annual report also contains the corporate governance report in compliance with all relevant recommendations laid down in the "Corporate Governance Report" as set out in Appendix 23 of the Listing Rules.

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

Other than the Company's website, all the financial and other related information required by the Listing Rules in relation to the 2007 annual results of the Company will also be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) at the earliest practicable opportunity.

On behalf of the Board
Chan Chun Choi
Chairman

Hong Kong, 25 May 2009

As at the date hereof, the Board comprises Mr. Chan Chun Choi, Ms. Lu Su Hua, both of whom are executive directors, Mr. Wong Ka Hing, Mr. Leung Wai Tat, Henry and Ms. Leung Wai Kei, who are independent non-executive directors.