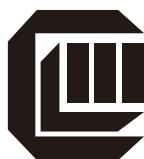


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VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1139)

2019 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 AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	423	18,957
Interest under effective interest method		423	625
Contracts with customers		–	18,332
Cost of sales		–	(18,293)
Gross profit		423	664
Other income		35	151
Selling and distribution expenses		–	(3)
Administrative expenses		(16,001)	(13,142)
Reversal of impairment loss (impairment loss) on trade receivables, net		725	(2,873)
Impairment loss on loan and interest receivables		(462)	–
Impairment loss on other receivables		(835)	–
Share of loss of a joint venture		(1)	(2)
Operating loss		(16,116)	(15,205)
Finance costs	6	(839)	(734)
Loss before tax		(16,955)	(15,939)
Income tax expense	7	–	(49)
Loss and total comprehensive expense for the year	8	(16,955)	(15,988)

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		(16,774)	(16,015)
Non-controlling interests		(181)	27
		<u>(16,955)</u>	<u>(15,988)</u>
Loss per share	10		
Basic (HK cents)		<u>(1.95)</u>	<u>(1.86)</u>
Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,375	1,438
Right-of-use assets		10,662	–
Prepaid lease payment – non-current portion		–	10,662
Interest in a joint venture		499	500
		<u>12,536</u>	<u>12,600</u>
CURRENT ASSETS			
Inventories		2,500	2,952
Trade receivables	11	2,270	9,386
Loan and interest receivables	12	879	1,527
Prepayments, deposits and other receivables		1,729	3,575
Prepaid lease payment – current portion		–	381
Tax recoverable		–	29
Bank balances and cash		14	2,146
		<u>7,392</u>	<u>19,996</u>
CURRENT LIABILITIES			
Other payables and accruals		4,241	2,106
Contract liabilities		–	1,095
Amount due to a director		619	8
Bank borrowing		18,000	15,500
Bank overdrafts		136	–
		<u>22,996</u>	<u>18,709</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(15,604)</u>	<u>1,287</u>
NET (LIABILITIES) ASSETS		<u><u>(3,068)</u></u>	<u><u>13,887</u></u>
CAPITAL AND RESERVES			
Share capital		859	859
Reserves		(2,100)	14,674
Equity attributable to owners of the Company		(1,241)	15,533
Non-controlling interests		(1,827)	(1,646)
TOTAL (DEFICIT) EQUITY		<u><u>(3,068)</u></u>	<u><u>13,887</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Other reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	859	158,099	710	(4)	(128,116)	31,548	(1,673)	29,875
Loss for the year, representing total comprehensive expense for the year	—	—	—	—	(16,015)	(16,015)	27	(15,988)
At 31 December 2018	859	158,099	710	(4)	(144,131)	15,533	(1,646)	13,887
Loss for the year, representing total comprehensive expense for the year	—	—	—	—	(16,774)	(16,774)	(181)	(16,955)
At 31 December 2019	859	158,099	710	(4)	(160,905)	(1,241)	(1,827)	(3,068)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Victory Group Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The parent of the Company is Winsley Investment Limited which is incorporated in Hong Kong. Its ultimate controlling party is Mr. Chan Chun Choi, who is also the managing director and chief executive office of the Company.

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

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

During the year ended 31 December 2019, the Group was principally engaged in investment holding, trading of motor vehicles and money lending business.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

- (i) the Directors will continuously review the cost structure of the Group to formulate appropriate cost-saving measures to reduce the operating expenses;
- (ii) the Group has available unutilised revolving loan facilities of HK\$5,000,000;
- (iii) a sale and purchase agreement in relation to the acquisition of the entire issued share capital of a company principally engaged in the provision of construction services was entered during the year ended 31 December 2019. This company will become a wholly owned subsidiary of the Group and the business and market of the Group can be diversified and it can generate profits for the Group in the foreseeable future; and
- (iv) a director of the Company, Mr. Chan Chun Choi, has agreed to provide adequate funds for the Group to meet its financial obligations in full as they fall due in the foreseeable future. In addition, the Group has obtained the undertaking from Mr. Chan Chun Choi, not to demand for repayment of debt due from the Group until such time when repayment will not affect the ability of the Group to repay other creditors in the normal course of business.

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

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

3. APPLICATION OF NEW AND AMENDMENTS HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

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

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

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

	Right-of-use assets <i>HK\$’000</i>
Reclassified from prepaid lease payment (<i>Note</i>)	11,043

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

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

Impact on the statement of financial position

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

Note:

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

New and amendments to HKFRSs in issued but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

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

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

4. REVENUE

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

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

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

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

For the year ended 31 December 2018

	Trading of motor vehicles and parts <i>HK\$'000</i>
Major products	
Left-hand drive car	154
Right-hand drive car	11,091
Parts	<u>7,087</u>
	<u>18,332</u>
Geographical market	
Hong Kong	<u>18,332</u>
Timing of revenue recognition	
A point in time	<u>18,332</u>

The performing obligation is satisfied upon delivery of goods and payment is generally settled by cash on delivery or due within 3 months from delivery.

All revenue contracts are for period of one year or less. As permitted by HKFRS 15, the transaction price allocated to the unsatisfied contracts are not disclosed.

5. OPERATING SEGMENTS

Information reported to the Board, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable segments under HKFRS 8 are as follows:

Trading of motor vehicles	–	Trading and distribution of motor vehicles and parts
Money lending	–	Provision of financing services

Segment revenue and results

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

For the year ended 31 December 2019

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

For the year ended 31 December 2018

	Trading of motor vehicles HK\$’000	Money lending HK\$’000	Total HK\$’000
Revenue	<u>18,332</u>	<u>625</u>	<u>18,957</u>
Segment results	<u>(9,232)</u>	<u>78</u>	<u>(9,154)</u>
Unallocated corporate income			151
Unallocated corporate expenses			(6,200)
Finance costs			(734)
Share of loss of a joint venture			<u>(2)</u>
Loss before tax			<u><u>(15,939)</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, other income, share of loss of a joint venture and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

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

Segment assets and liabilities

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

At 31 December 2019

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

At 31 December 2018

	Trading of motor vehicles <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	16,804	1,729	18,533
Unallocated corporate assets			<u>14,063</u>
Consolidated assets			<u><u>32,596</u></u>
Segment liabilities	2,429	–	2,429
Unallocated corporate liabilities			<u>16,280</u>
Consolidated liabilities			<u><u>18,709</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, right-of-use assets, prepaid lease payment, certain bank balances and cash, certain prepayments, deposits and other receivables, interest in a joint venture and tax recoverable; and
- all liabilities are allocated to operating segments other than certain other payables and accruals, amount due to a director, bank borrowing and bank overdrafts.

Other segment information

For the year ended 31 December 2019

	Trading of motor vehicles <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included the measure of segment profit or loss or segment assets:				
Depreciation on property, plant and equipment	–	–	63	63
Write-off of trade receivables	4,561	–	–	4,561
Write-off of other receivables	714	–	–	714
Write-down of inventories	452	–	–	452
Reversal of impairment loss on trade receivables, net	(725)	–	–	(725)
Impairment loss on loan and interest receivables	–	462	–	462
Impairment loss on other receivables	835	–	–	835
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:

Depreciation of right-of-use assets	–	–	381	381
Finance costs	–	–	839	839
Share of loss of a joint venture	–	–	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2018

	Trading of motor vehicles <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included the measure of segment profit or loss or segment assets:				
Depreciation on property, plant and equipment	–	1	62	63
Additions to property, plant and equipment	–	–	1	1
Write -off of trade receivable	2,491	–	–	2,491
Impairment loss on trade receivables	2,873	–	–	2,873
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:

Amortisation of prepaid lease payment	–	–	381	381
Finance costs	–	–	734	734
Share of loss of a joint venture	–	–	2	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

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

Information about the Group's revenue from external customers is presented based on the location of customers.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	<u>423</u>	<u>18,957</u>

Information about major customers

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A ¹	–	8,707
Customer B ¹	–	8,558
Customer C ²	<u>423</u>	<u>–</u>

¹ Revenue from trading of motor vehicles

² Revenue from money lending

6. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank borrowing	<u>839</u>	<u>734</u>

7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong:		
– Under provision in prior years	<u>–</u>	<u>49</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the People’s Republic of China (“**PRC**”) subsidiary is 25% for both years.

No profits tax have been provided for the subsidiaries which are operating outside Hong Kong as these subsidiaries have not generated any assessable profits in the respective jurisdictions in both years.

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

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

9. DIVIDEND

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

10. LOSS PER SHARE

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

No diluted loss per share were presented as there was no dilutive potential ordinary share for the years ended 31 December 2019 and 2018.

11. TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables		
– Contracts with customers	4,418	12,259
Less: Allowance of credit losses	<u>(2,148)</u>	<u>(2,873)</u>
Total trade receivables	<u><u>2,270</u></u>	<u><u>9,386</u></u>

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

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	–	–
31 – 60 days	–	–
61 – 365 days	–	4,644
Over 365 days	<u>2,270</u>	<u>4,742</u>
	<u><u>2,270</u></u>	<u><u>9,386</u></u>

12. LOAN AND INTEREST RECEIVABLES

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

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

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

Loan receivables comprise:

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

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

Business Review

The principal activities of the Group during the year were investment holding, trading of motor vehicles and parts and money lending business. The primary markets of the motor vehicles and parts trading business were mainland China and Hong Kong.

During the year, huge number of competitors entered into the importing brand new motor vehicles to mainland China business affected the market share of the Company led unable to benefit from the sales, on the other hand, the trade war slowdown demand of new imported motor vehicles in mainland China.

At the request of the Company, trading in the shares of the Company on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has been suspended since 23 January 2018. On 1 February 2019, the Stock Exchange had decided to place the Company into the third delisting stage on 18 February 2019 pursuant to Practice Note 17 of the Listing Rules. The Company had submitted a Resumption Proposal to the Stock Exchange on 16 August 2019. On 7 February 2020, the Company received a letter from the Stock Exchange which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal (but not any other proposal) on or before 19 June 2020. If the Company fails to do so or the Resumption Proposal fails to proceed for any reasons, the Stock Exchange will proceed with cancelling the Company’s listing.

Comparing to last financial year, the audited net loss for 2019 was worse caused by the weakness of business environment. It including increase of approximately HK\$2,859,000, HK\$462,000 , HK\$835,000 and HK\$105,000 in administrative expenses, impairment loss on loan and interest receivables, impairment loss on other receivables and finance costs respectively, and decrease of approximately HK\$241,000, HK\$116,000, HK\$3,000 and HK\$3,598,000 in gross profit, other income, selling and distribution expenses and impairment loss on trade receivables respectively. During the year under review, the Group’s overall running cost had been sustained at its minimal level through the strict cost control measures. The human resources had also been maintained at the least possible status to generate maximum productivity. In brief, the structure of the Group has always been successfully locked at the least possible efficient level.

Liquidity, financial resources and funding

The current ratio of the Group at the end of 2019 was 0.32 (2018: 1.07). The gearing ratio resulting from a comparison of the total borrowings with total equity of the Group at 31 December 2018 was -5.87 (2018: 1.12), the borrowing at 31 December 2019 was HK\$18,000,000 (2018: HK\$15,500,000).

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

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

Material acquisitions and disposals of subsidiaries and associated companies

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

Human Resources

As at 31 December 2019, the Group had a total of 7 (2018: 13) employees, of whom six were based in Hong Kong and one was based in mainland China. The remuneration package for Hong Kong staff was strictly on a monthly salary basis. Year-end bonus was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs including directors' remuneration, for the year amounted to approximately HK\$3,715,000 (2018: HK\$4,034,000). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

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

The Group has adopted a share option scheme, which was duly approved by the shareholders at the Annual General Meeting of the Company on 26 May 2014, available for participants including any director and employee of the Company or of any subsidiaries. No options have been granted since the approval of the scheme.

Contingent liabilities

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

Capital commitment

At 31 December 2019, neither the Group nor the Company had any significant capital commitment outstanding.

Suspension of Trading

The trading in shares of the Company has been suspended since 23 January 2018. On 1 February 2019, the Company received a letter from Stock Exchange decided to place the Company into the third delisting stage on 18 February 2019 under Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange and shall expire at the end of six months (i.e. 17 August 2019).

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

Future outlook

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

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

Upon successfully reorganized, the Group will have adequate resources to continue with sustainable business operations. The Board will use its best endeavors to look for new business and investment opportunities with an aim to broaden the Group's revenue stream. The Group will also keep on exercising stringent cost control, quality assurance, and expense control to minimize operating costs. The Board is confident to bring the Company back profitable track once the trading of the Company's shares is resumed.

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 2019 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 2019 consolidated financial statements of the Company, the Directors, both collectively and individually, applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

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.hkexnews.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
Victory Group Limited
Chan Chun Choi
Chairman and Managing Director

Hong Kong, 27 March 2020

As at the date of this announcement, the Board comprises Mr. Chan Chun Choi, Ms. Lo So Wa Lucy 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.