VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 1139)

2020
Annual Report

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Chan Chun Choi *(Chairman and Managing Director)*
Chan Kingsley Chiu Yin *(Deputy Chairman)*
Lo So Wa Lucy

Independent Non-executive Directors

Ip Ka Keung Patrick
Lam King Hang
Cheung Man Fu

AUDIT COMMITTEE

Ip Ka Keung Patrick *(Chairman)*
Lam King Hang
Cheung Man Fu

REMUNERATION COMMITTEE

Lam King Hang *(Chairman)*
Ip Ka Keung Patrick
Cheung Man Fu

NOMINATION COMMITTEE

Cheung Man Fu *(Chairman)*
Lam King Hang
Ip Ka Keung Patrick

COMPANY SECRETARY

Leung Wai Kei

PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited
G/F, Tsan Yung Mansion
No. 70 Waterloo Road
Ho Man Tin
Kowloon

AUDITORS

Asian Alliance (HK) CPA Limited
8/F Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 1609 New East Ocean Centre
9 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

STOCK CODE

1139

EXECUTIVE DIRECTORS

Mr. Chan Chun Choi, aged 75, is the chairman and managing director of Victory Group Limited (the "Company"). Together with his ex-wife, Madam Lam Mo Kuen, Anna, Mr. Chan founded the Company in mid-1980s and has been an executive Director since 1997. Mr. Chan has over 30 years of experience in the distribution and marketing of automotive products, principally in the PRC. Mr. Chan is responsible for the strategic planning and business development of the Group. He had been a member of the Consultative Conference of Guangdong Province, a committee member of the China Council for the Promotion of Peaceful National Reunification, an honorary citizen of Jiangmen and Enping, the PRC, and the honorary chairman of the Federation of Hong Kong Guangdong Community Organization Limited. Mr. Chan is the spouse of Ms. Lucy Lo and the father of Mr. Kingsley Chan, both of them executive Directors of the Company.

Save as disclosed above, Mr. Chan (i) had no interests in the Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, the proposed Director, senior management of the Company, substantial shareholders or controlling shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Chan Kingsley Chiu Yin, aged 34, was appointed an executive director of the Company on 15 August 2012. He studied business administration and finance at California State Polytechnic University. He first joined the Group in 2009 as a general manager and has since gained over a decade of experience in the principal businesses of the Group. Mr. Kingsley Chan is also a director of certain subsidiaries of the Company and the son of Mr. Chan, the chairman and managing director of the Company and ex-director Madam Lam Mo Kuen Anna.

Save as disclosed above, Mr. Kingsley Chan (i) had no interests in the Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, the proposed Director, senior management of the Company, substantial shareholders or controlling shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Lo So Wa Lucy (formerly known as Ms. Lu Su Hua), aged 51, was appointed an executive director of the Company on 6 October 2003. Prior to joining the Group, Ms. Lucy Lo worked as a deputy general manager for a company primarily engaged in LED business. She graduated from the Beijing Foreign Studies University in 1999, and obtained a Master of Business Administration (MBA) degree from the University of Ballarat in Australia in 2003. Ms. Lucy Lo is also a director of certain subsidiaries of the Company and the spouse of Mr. Chan, the chairman and managing director of the Company.

Save as disclosed above, Ms. Lucy Lo (i) had no interests in the Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, the proposed Director, senior management of the Company, substantial shareholders or controlling shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Ka Keung Patrick, aged 52, was appointed an independent non-executive Director of the Company on 18 January 2010. Mr. Ip started his career with one of the big six auditing firms in London and Hong Kong. After which he joined the Regulatory and Legal division of the telecom arm of a Hong Kong Blue Chip company. He was also the CFO of a SFC Type 9 regulated corporation. Mr. Ip holds a bachelor's degree in accounting and finance from University of Leeds and a bachelor's degree in law from the University of London in the UK. Mr. Ip is a Certified Public Accountant in Hong Kong and a Chartered Financial Analyst.

Save as disclosed above, Mr. Ip (i) had no interests in the Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, the proposed Director, senior management of the Company, substantial shareholders or controlling shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Dr. Lam King Hang, aged 50, was appointed an independent non-executive Director of the Company on 1 June 2010. Dr. Lam received a bachelor's degree in engineering from the University of Hong Kong in 1995. He worked in the building services industry for several years after graduation and joined the University of Hong Kong photovoltaic research team in 1998. His research focus was on photovoltaic applications in Hong Kong. In 2007, he received a doctoral degree in architecture at The University of Hong Kong and was appointed as Honorary Lecturer at the University of Hong Kong in 2009. Dr. Lam had been a senior manager in a solar energy company from 2007 to 2013 and is currently a lecturer of the Department of Electrical and Electronic Engineering at the University of Hong Kong.

Save as disclosed above, Dr. Lam (i) had no interests in the Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, the proposed Director, senior management of the Company, substantial shareholders or controlling shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Cheung Man Fu, aged 48, was appointed an independent non-executive Director of the Company on 1 August 2011. Mr. Cheung graduated from Wu Yi University with a Bachelor of Science degree in Electronics Engineering in 1996. He has over 9 years of experience in the auto mechanics and LED businesses.

Save as disclosed above, Mr. Cheung (i) had no interests in the Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, the proposed Director, senior management of the Company, substantial shareholders or controlling shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Dear Shareholders,

I hereby present the annual report for the year ended 31 December 2020 of Victory Group Limited and its subsidiaries (collectively referred to as the "Group") on behalf of the Board of Directors (the "Board").

FINANCIAL REVIEW HIGHLIGHT

For the year ended 31 December 2020, the Group had no revenue for the year (2019: HK$423,000). Net loss attributable to shareholders of the Company for the year was approximately HK$23,484,000 (2019: HK$16,774,000).

The Board did not recommend to pay any dividend for the year ended 31 December 2020 (2019: Nil).

BUSINESS REVIEW

The Group was principally engaged in investment holding, trading of motor vehicles and money lending business.

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 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). The Company is required to submit a viable resumption proposal to demonstrate that the Company has sufficient level of operations or assets of sufficient value as required under Rule 13.24 and the resumption proposal had been submitted on 16 August 2019.

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 (the "Deadline"). The Company had made an application to the Stock Exchange for its consent to extend the Deadline from 19 June 2020 to 11 September 2020 as the Company required additional time for the preparation of the Listing Application. On 17 July 2020, the Company received a letter from the Stock Exchange informing the Company that the Listing Committee has agreed to grant an extension of time for the Company to submit the Listing Application on or before 11 September 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 listing of the shares of the Company on the Stock Exchange.

As set out in the announcement dated 14 September 2020, the Company had submitted the Listing Application to the Stock Exchange on 9 September 2020.

Same as previous financial years, the Company will continue to exercise stringent cost control under limited funding situation. Furthermore, 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.

During the year under review, the Board comprised Mr. Chan Chun Choi, Mr. Chan Kingsley Chiu Yin and Ms. Lo So Wa Lucy as executive directors; Mr. Ip Ka Keung Patrick, Dr. Lam King Hang and Mr. Cheung Man Fu as independent non-executive directors.

APPRECIATION

I would like to express sincere thanks to all our management and staff for their contribution and commitment. On behalf of the Board, I would also like to take this opportunity to thank our shareholders, professional advisors for their encouragement and support.

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

Hong Kong, 31 March 2021

RESULTS

The Group had no revenue (2019: HK$423,000) for the year ended 31 December 2020. Net loss attributable to owners of the Company for the year was approximately HK$23,484,000 (2019: HK$16,774,000).

BUSINESS REVIEW

The Group was principally engaged in investment holding, trading of motor vehicles and money lending business.

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 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). The Company is required to submit a viable resumption proposal to demonstrate that the Company has sufficient level of operations or assets of sufficient value as required under Rule 13.24 and the resumption proposal had been submitted on 16 August 2019.

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As set out in the announcement dated 14 September 2020, the Company had submitted the Listing Application to the Stock Exchange on 9 September 2020.

Comparing to last financial year, the audited net loss for 2020 was worse caused by the weakness of business environment. It including increase of approximately HK$229,000, HK$6,153,000 and HK$844,000 in other income, administrative expenses and finance costs respectively, and decrease of approximately HK$423,000 and HK$572,000 in gross profit and reversal of impairment losses under expected credit loss model 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 2020 was 0.06 (2019: 0.32). The gearing ratio resulting from a comparison of the total borrowings with total equity of the Group at 31 December 2020 was -1.32 (2019: -5.91). At 31 December 2020, the loan from a shareholder was HK$15,000,000 (2019: Nil), the loan from a director was approximately HK$1,598,000 (2019: Nil), the bank borrowing was HK$18,500,000 (2019: HK$18,000,000) and the bank overdraft was approximately HK$103,000 (2019: HK$136,000).

At as 31 December 2020 the Group had no loan and interest receivables (2019: HK$879,000), no trade receivable (2019: HK$2,270,000) and had no trade payables (2019: Nil). There had inventories amounted to approximately HK$2,277,000 as at 31 December 2020 (2019: HK$2,500,000).

As at 31 December 2020, the Group's net current liabilities amounted to approximately HK$39,338,000 (2019: HK$15,604,000) and net liabilities amounted to approximately HK$26,642,000 (2019: HK$3,068,000). At the same day, the Group's bank balances and cash amounted to approximately HK$65,000 (2019: HK$14,000), and bank overdraft amounted to approximately HK$103,000 (2019: HK$136,000). The bank borrowing at 31 December 2020 was HK$18,500,000 (2019: HK$18,000,000).

CHARGES ON ASSETS

As at 31 December 2020, the Group had pledged building and right-of-use asset with an aggregate carrying amount of approximately HK$11,587,000 (2019: HK$12,016,000) to secure banking facilities and other borrowings granted to the Group. The bank borrowing at 31 December 2020 was HK$18,500,000 (2019: HK$18,000,000).

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment during the year ended 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE

During the year, there were no material acquisitions.

Disposals of subsidiaries

On 3 September 2020, (i) Victory Group (BVI) Limited ("Victory BVI") entered into the Victory Realty Limited ("Victory Realty") equity transfer agreement ("SPA"), Victory H-Tech Company Limited ("Victory H-Tech") SPA and AC Cars World Limited ("AC Cars") SPA; (ii) Sky Dragon (China) Trading Limited ("Sky Dragon") entered into the Express Luck Limited ("Express Luck") SPA; and (iii) the Company entered into the Victory Credit Service Limited ("Victory Credit") SPA, with Libra Holding Limited, a company incorporated in Hong Kong with limited liability whose ultimate beneficial owner is Ms. Luk Mei Chuen, being an Independent Third Party ("Disposal Purchaser"), pursuant to which Victory BVI, Sky Dragon and the Company has agreed to sell, and the Disposal Purchaser has agreed to buy the entire issued share capital of Victory Realty, the entire issued share capital of Victory H-Tech, the entire issued share capital of AC Cars, the entire issued share capital of Express Luck and 66.99% of the issued share capital of Victory Credit owned by the Company, at a consideration of HK$1, respectively. Completion took place on the same day.

On 4 September 2020, Hong Kong Waho Development Limited ("HK Waho") entered into the 華利亞科技(深圳)有限公司 ("Victory Shenzhen") SPA with the Disposal Purchaser, pursuant to which HK Waho has agreed to sell and the Disposal Purchaser has agreed to buy the Victory Shenzhen Equity at a consideration of HK$1. Completion took place after registration with the relevant government authority in the PRC was completed on 29 September 2020.

Information of the Disposed Entities

Victory Realty

Victory Realty is a company incorporated in Hong Kong with limited liability on 10 November 1992. Immediately prior to the Victory Realty Disposal, it had 10,000 shares allotted and issued and wholly-owned by Victory BVI and had no business operation. Upon completion of the Victory Realty Disposal, it has ceased to be a member of the Group.

Victory H-Tech

Victory H-Tech is a company incorporated in Hong Kong with limited liability on 20 May 1998. Immediately prior to the Victory H-Tech Disposal, it had 100,000 shares allotted and issued and wholly-owned by Victory BVI and had no business operation. Upon completion of the Victory H-Tech Disposal, it has ceased to be a member of the Group.

AC Cars

AC Cars is a company incorporated in Hong Kong with limited liability on 20 December 2013. Immediately prior to the AC Cars Disposal, it had 10,000 shares allotted and issued and wholly-owned by Victory BVI and had no business operation. Upon completion of the AC Cars Disposal, it has ceased to be a member of the Group.

Express Luck

Express Luck is a company incorporated in Hong Kong with limited liability on 15 July 2011. Immediately prior to the Express Luck Disposal, it had 10,000 shares allotted and issued and wholly-owned by Sky Dragon and had no business operation. Upon completion of the Express Luck Disposal, it has ceased to be a member of the Group.

Victory Credit

Victory Credit is a company incorporated in Hong Kong with limited liability on 22 October 2012. Immediately prior to the Victory Credit Disposal, it had 10,000 shares allotted and issued and owned as to 66.99% by the Company, 33% by Mr. Lin Huiwen and 0.01% by Mr. Chen Hua, and had no business operation. Upon completion of the Victory Credit Disposal, it has ceased to be a member of the Group.

Victory Shenzhen

Victory Shenzhen is a company incorporated in the PRC with limited liability on 5 May 2010. Immediately prior to the Victory Shenzhen Disposal, it had a registered capital of HK$10,000,000 wholly-owned by HK Waho and had no business operation. Upon completion of the Victory Shenzhen Disposal, it has ceased to be a member of the Group.

SEGMENT INFORMATION

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

Details of segment information are set out in Note 8 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2020, the Group had a total of 6 (2019: 7) employees, of whom five 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$3,111,000 (2019: HK$3,715,000). 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.

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars ("HK$"). 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 loan from a director in Renminbi. 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 31 December 2020, neither the Group nor the Company had any significant contingent liabilities.

CAPITAL COMMITMENT

On 7 August 2019, the Company entered into an agreement with Mr. Chang Man Weng in relation to the sale and purchase of the entire issued share capital of Million Celebration Limited and its wholly-owned subsidiary, Partneer Construction Limited (the "Acquisition"). Details are set out in the Company's announcements dated 29 May 2020, 20 July 2020, 20 August 2020, 14 September 2020, 16 October 2020, 22 October 2020, 2 November 2020, 11 December 2020, 12 January 2021, 1 February 2021, 11 February 2021 and 3 March 2021.

Capital commitments in respect of the Acquisition outstanding at the end of the reporting period not provided for in the consolidated financial statements was HK$349,400,000 (2020: HK$350,000,000).

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).

The Company is required to submit a viable resumption proposal to demonstrate that the Company has sufficient level of operations or assets of sufficient value as required under Rule 13.24 and the resumption proposal had been submitted on 16 August 2019. 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 (the "Deadline"). The Company has made an application to the Stock Exchange for its consent to extend the Deadline from 19 June 2020 to 11 September 2020 as the Company required additional time for the preparation of the Listing Application. On 17 July 2020, the Company received a letter from the Stock Exchange informing the Company that the Listing Committee has agreed to grant an extension of time for the Company to submit the Listing Application on or before 11 September 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 listing of the shares of the Company on the Stock Exchange.

As set out in the announcement dated 14 September 2020, the Company had submitted the Listing Application to the Stock Exchange on 9 September 2020.

FUTURE OUTLOOK

As disclosed in the announcement of the Company dated 14 February 2020, the Company is required to submit a new listing application relating to the Resumption Proposal (but not any other proposal) (the "Listing Application") on or before 19 June 2020 (the "Deadline"). The Company has made an application to the Stock Exchange for its consent to extend the Deadline from 19 June 2020 to 11 September 2020 as the Company required additional time for the preparation of the Listing Application. On 17 July 2020, the Company received a letter from the Stock Exchange informing the Company that the Listing Committee has agreed to grant an extension of time for the Company to submit the Listing Application on or before 11 September 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 listing of the shares of the Company on the Stock Exchange.

As set out in the announcement dated 14 September 2020, the Company had submitted the Listing Application to the Stock Exchange on 9 September 2020.

Upon successfully reorganization, 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 confidence to bring the Company back profitable track once the trading of the Company's shares is resumed.

Report of the Directors

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group was principally engaged in investment holding, trading of motor vehicles and money lending business.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 51 to 121.

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

DIVIDEND POLICY

This dividend policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

Principles and Guidelines

- The Board adopt the policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

- The Company do not have any pre-determined dividend payout ratio.

- The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles of the Association of the Company and all applicable laws and regulations and the factors set out below.

- The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

  - financial results;
  - cash flow situation;
  - business conditions and strategies;
  - future operations and earnings;
  - capital requirements and expenditure plans;
  - interests of shareholders;
  - any restrictions on payment of dividends; and
  - any other factors that the Board may consider relevant.

- Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:
  - interim dividend;
  - final dividend;
  - special dividend; and
  - any distribution of net profits that the Board may deem appropriate.
- Any final dividend for a financial year will be subject to shareholders' approval.
- The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.
- Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Articles of Association.

The Board will review this dividend policy as appropriate from time to time.

SEGMENT INFORMATION

Details of segment information are set out in note 8 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group had no sale and purchase for the year under review.

SUMMARY FINANCIAL INFORMATION

The results, assets and liabilities of the Group for the last five financial years are summarised on page 122. This summary is not part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSET

Details of movements in property, plant and equipment and right-of-use asset of the Group are set out in Notes 18 and 19 to the consolidated financial statements respectively.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in Note 38 to the consolidated financial statements.

BORROWINGS

Details of the Group's bank borrowings are set out in Note 31 to the consolidated financial statements.

RETIREMENT SCHEME

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 Company contributed according to the minimum requirements of the MPF Ordinance and the contributions are charged to the income statement.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year and subsequent to the balance sheet date, together with the reasons for the issue thereof, are set out in Notes 33 to 34 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Hong Kong Listing Rules) based on the information publicly available to the Company and within the knowledge of the Directors.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

(a) The Group

	Share premium HK$'000	**Contributed surplus** HK$'000 *(Note)*	**Other reserve** HK$'000	**Accumulated losses** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2019	158,099	710	(4)	(144,131)	14,674	(1,646)	13,028
Loss for the year, representing total comprehensive expense for the year	–	–	–	(16,774)	(16,774)	(181)	(16,955)
At 31 December 2019	158,099	710	(4)	(160,905)	(2,100)	(1,827)	(3,927)
Loss for the year, representing total comprehensive expense for the year	–	–	–	(23,484)	(23,484)	(90)	(23,574)
At 31 December 2020	**158,099**	**710**	**(4)**	**(184,389)**	**(25,584)**	**(1,917)**	**(27,501)**

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.

(b) The Company

The amounts of the Company's reserves and the movements therein for the current and prior year are presented in the note 40(a) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2020, the Company had no reserves available for cash distribution and distribution in specie computed in accordance with the Companies Act 1981 of Bermuda except for the Company's share premium account which may be distributed in the form of fully paid bonus shares. Under the Companies Act 1981 of Bermuda, the Company may make distributions from its contributed surplus in certain circumstances, prescribed by Section 54 thereof, which the Company was unable to satisfy as at 31 December 2020.

CONTINGENT LIABILITIES

At 31 December 2020, neither the Group nor the Company had any significant contingent liabilities.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investment during the year ended 31 December 2020.

RELATED PARTY TRANSACTIONS

Except for the disclosure in the Note 35 to the consolidated financial statements, there were no related party transactions in the year under review.

EMPLOYEES

As at 31 December 2020, the Group had a total of 6 (2019: 7) employees, of whom five 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$3,111,000 (2019: HK$3,715,000). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

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CHARGES OF ASSETS

As at 31 December 2020, the Group had pledged building and right-of-use asset with an aggregate carrying amount of approximately HK$11,587,000 (2019: HK$12,016,000) to secure banking facilities and other borrowings granted to the Group. The bank borrowing at 31 December 2020 was HK$18,500,000 (2019: HK$18,000,000).

PROPERTY VALUATION

A property valuation had been carried out by Roma Appraisals Limited, an independent professional valuer, in respect of the Group's right-of-use asset and building. The Group's right-of-use asset and building were valued at HK$34,360,000 and HK$2,040,000 respectively (2019: HK$34,220,000 and HK$2,180,000 respectively) giving no impairment loss on right-of-use asset and building.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE

During the year, there were no material acquisitions.

Disposals of subsidiaries

On 3 September 2020, (i) Victory Group (BVI) Limited ("Victory BVI") entered into the Victory Realty Limited ("Victory Realty") equity transfer agreement ("SPA"), Victory H-Tech Company Limited ("Victory H-Tech") SPA and AC Cars World Limited ("AC Cars") SPA; (ii) Sky Dragon (China) Trading Limited ("Sky Dragon") entered into the Express Luck Limited ("Express Luck") SPA; and (iii) the Company entered into the Victory Credit Service Limited ("Victory Credit") SPA, with Libra Holding Limited, a company incorporated in Hong Kong with limited liability whose ultimate beneficial owner is Ms. Luk Mei Chuen, being an Independent Third Party ("Disposal Purchaser"), pursuant to which Victory BVI, Sky Dragon and the Company has agreed to sell, and the Disposal Purchaser has agreed to buy the entire issued share capital of Victory Realty, the entire issued share capital of Victory H-Tech, the entire issued share capital of AC Cars, the entire issued share capital of Express Luck and 66.99% of the issued share capital of Victory Credit owned by the Company, at a consideration of HK$1, respectively. Completion took place on the same day.

On 4 September 2020, Hong Kong Waho Development Limited ("HK Waho") entered into the 華利亞科技(深圳)有限公司 ("Victory Shenzhen") SPA with the Disposal Purchaser, pursuant to which HK Waho has agreed to sell and the Disposal Purchaser has agreed to buy the Victory Shenzhen Equity at a consideration of HK$1. Completion took place after registration with the relevant government authority in the PRC was completed on 29 September 2020.

Information of the Disposed Entities

Victory Realty

Victory Realty is a company incorporated in Hong Kong with limited liability on 10 November 1992. Immediately prior to the Victory Realty Disposal, it had 10,000 shares allotted and issued and wholly-owned by Victory BVI and had no business operation. Upon completion of the Victory Realty Disposal, it has ceased to be a member of the Group.

Victory H-Tech

Victory H-Tech is a company incorporated in Hong Kong with limited liability on 20 May 1998. Immediately prior to the Victory H-Tech Disposal, it had 100,000 shares allotted and issued and wholly-owned by Victory BVI and had no business operation. Upon completion of the Victory H-Tech Disposal, it has ceased to be a member of the Group.

AC Cars

AC Cars is a company incorporated in Hong Kong with limited liability on 20 December 2013. Immediately prior to the AC Cars Disposal, it had 10,000 shares allotted and issued and wholly-owned by Victory BVI and had no business operation. Upon completion of the AC Cars Disposal, it has ceased to be a member of the Group.

Express Luck

Express Luck is a company incorporated in Hong Kong with limited liability on 15 July 2011. Immediately prior to the Express Luck Disposal, it had 10,000 shares allotted and issued and wholly-owned by Sky Dragon and had no business operation. Upon completion of the Express Luck Disposal, it has ceased to be a member of the Group.

Victory Credit

Victory Credit is a company incorporated in Hong Kong with limited liability on 22 October 2012. Immediately prior to the Victory Credit Disposal, it had 10,000 shares allotted and issued and owned as to 66.99% by the Company, 33% by Mr. Lin Huiwen and 0.01% by Mr. Chen Hua, and had no business operation. Upon completion of the Victory Credit Disposal, it has ceased to be a member of the Group.

Victory Shenzhen

Victory Shenzhen is a company incorporated in the PRC with limited liability on 5 May 2010. Immediately prior to the Victory Shenzhen Disposal, it had a registered capital of HK$10,000,000 wholly-owned by HK Waho and had no business operation. Upon completion of the Victory Shenzhen Disposal, it has ceased to be a member of the Group.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Chan Chun Choi *(Chairman and Managing Director)*
Chan Kingsley Chiu Yin *(Deputy Chairman)*
Lo So Wa Lucy

Independent non-executive Directors:

Ip Ka Keung Patrick
Lam King Hang
Cheung Man Fu

In accordance with clauses 87(1) of the Company's Bye-laws, Mr. Chan Kingsley Chiu Yin will retire by rotation at the annual general meeting (the "AGM") and, being eligible, will offer himself for re-election at the Company's forthcoming AGM.

DIRECTORS BIOGRAPHIES

Biographical details of the Directors are set out on pages 3 to 4 of this report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of the Directors and the five highest paid individuals in the Group are set out in Notes 15 and 14 to the consolidated financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

All Directors had entered service contracts with the Company for an initial term of no more than two years. Every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years. Unless 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.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the related party transactions as disclosed in the Note 35 to the consolidated financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

MANAGEMENT CONTRACTS

Except for those as disclosed in Note 35 to the consolidated financial statements, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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. Details are set out in Note 34 to the consolidated financial statements. No options have been granted since the approval of the scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL OF THE COMPANY

At the balance sheet date, the interests of the Directors and chief executives of the Company in the share capital of the Company and its associated corporations, as recorded in the register required to be kept by the Company under Section 352 of the Securities and Future Ordinance (the "SFO"), or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(i) The Company

Name of Directors	Number of shares held	Percentage of Shareholding
Chan Chun Choi *(Note a)*	330,350,152	38.45 per cent
Lo So Wa Lucy *(Note a, b)*	330,350,152	38.45 per cent
Chan Kingsley Chiu Yin *(Note a)*	202,575,000	23.58 per cent

(a) 202,575,000 shares were beneficially held by Winsley Investment Limited (98% of its shares held by Mr. Chan Chun Choi, 1% by his wife, Lo So Wa Lucy and 1% by his son, Chan Kingsley Chiu Yin).

(b) Lo So Wa Lucy is deemed to be interested in the shares in which her spouse, Mr. Chan Chun Choi, is interested.

(ii) Associated corporation

Name of associated corporation	Name of Directors	Name of shares held	Class of shares	Type of interest
Victory Motors Centre Limited	Chan Chun Choi	100,000	Non-voting deferred	Personal
	Chan Chun Choi	2,800,000	Non-voting deferred	Corporate *(Note)*
	Chan Kingsley Chiu Yin	2,800,000	Non-voting deferred	Corporate *(Note)*

Note: The 2,800,000 non-voting deferred shares are held by Wazi LED Lighting Limited (formerly known as Victory Petro Chemical Limited and Kwong Hung Hing Enterprises Co. Limited) of which Mr. Chan Chun Choi and Mr. Chan Kingsley Chiu Yin together hold the entire issued share capital.

Save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ULTIMATE HOLDING COMPANY AND SUBSTANTIAL SHAREHOLDERS

The Directors consider the ultimate holding company of the Company at the balance sheet date to be Winsley Investment Limited, details of whose share interests are set out under the section headed "Directors' and Chief Executives' Interests in Share Capital of the Company".

At the balance sheet date, so far as is known to the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than any Director or the chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests in the shares and underlying shares of the Company:

Long Position

Name	Number of Shares held	Percentage of Shareholding
Winsley Investment Limited *(Note)*	202,575,000	23.58 per cent
Lin Huiwen	196,880,000	22.92 per cent

Note: Winsley Investment Limited is owned by the directors Mr. Chan Chun Choi, Ms. Lo So Wa Lucy and Mr. Chan Kingsley Chiu Yin.

Save as disclosed herein, the Company has not been notified of any other person, other than a Director or chief executive of the Company, who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at the balance sheet date.

AUDITOR

The Audit Committee reviews the appointment of the Company's auditor, its effectiveness and its relationship with the Company, which includes monitoring our use of the auditor for non-audit services and the balance of audit and non-audit fees paid. The consolidated financial statements since the year ended 31 December 2010 were audited by Lo and Kwong C.P.A. Company Limited. Pursuant to the internal business restructuring between the practices of Lo and Kwong C.P.A. Company Limited and ZHONGLEI (HK) CPA Company Limited, Lo and Kwong C.P.A. Company Limited resigned and ZHONGLEI (HK) CPA Company Limited was appointed as auditor of the Company on 30 December 2013. The consolidated financial statements of the Company for the year ended 31 December 2013 were audited by ZHONGLEI (HK) CPA Company Limited which was rebranded to Asian Alliance (HK) CPA Limited on 10 May 2016. Following a review of the independence and effectiveness of our Company auditor, a resolution will be submitted to the forthcoming annual general meeting to re-appoint Asian Alliance (HK) CPA Limited as auditor of the Company. Each Director believes that there is no relevant information of which our Company auditor is unaware. Each has taken all steps necessary as a Director to be aware of any relevant audit information and to establish that the auditor is made aware of any pertinent information.

On Behalf of the Board
Chan Chun Choi
Chairman and Managing Director

Hong Kong, 31 March 2021

CORPORATE GOVERNANCE PRACTICES

This report is a product of the Company's compliance with all relevant recommendations laid down in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The Company is committed to maintain a high standard of corporate governance practices and procedures. The Board believes that good corporate governance helps the Company safeguard the interests of its stakeholders and improve the performance of the Group. During the year under review, 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.

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 have complied with or whether there has been any non-compliance with the required standard set out in the Model Code during the year. The Company satisfied that all directors had fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:
Chan Chun Choi *(Chairman and Managing Director)*
Chan Kingsley Chiu Yin *(Deputy Chairman)*
Lo So Wa Lucy

Independent non-executive Directors:
Ip Ka Keung Patrick
Lam King Hang
Cheung Man Fu

Lo So Wa Lucy is the spouse of Mr. Chan Chun Choi.

Chan Kingsley Chiu Yin is the son of Mr. Chan Chun Choi.

The Board consists of a good mix of expertise, knowledge, experience and skills, the essential abilities to guide the teams to fulfill corporate goals. The mission of the Board is to undertake the role for strategic planning and development of the Group with the objective to maximize its shareholders' value. Through the aids of senior management and the internal control mechanism, the Board monitors and supervises, from time to time, the ongoing performance of the Group.

The Board is responsible to develop and review Company's policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to employees and directors; and to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

Of the three independent non-executive Directors ("INEDs"), Mr. Ip Ka Keung Patrick possesses appropriate professional accounting qualifications and financial management expertise, satisfying Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the INEDs provide independent directives on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

The Company has received, from each of its INEDs, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company therefore considers that all INEDs are independent.

Mr. Ip Ka Keung Patrick, Dr. Lam King Hang and Mr. Cheung Man Fu, being Independent Non-Executive Directors, has served the Company for more than nine years. The Nomination Committee considered that their long service will not affect their exercise of independent judgment and was satisfied that they have the required integrity and experience to continue fulfilling the role of an Independent Non-Executive Director. Taking into consideration the above and the confirmations on the Independence Guidelines made by Mr. Ip Ka Keung Patrick, Dr. Lam King Hang and Mr. Cheung Man Fu, the Board is of the view that they remain independent notwithstanding the length of their service.

The bye-laws of the Company (the "Bye-laws") allow board meetings to be conducted by way of telephone or video conference and all Directors are given fourteen-day notices for regular board meetings. Sufficient information was supplied by management to facilitate the board meetings in making decisions. In both regular and ad hoc board meetings as required by business needs, the Directors are free to include matters of interest for discussion in the agenda. Other than the board papers and related materials, documents of all kinds in relation to the entire Group are accessible to all Directors at any time with one-day notice.

During the year, six board meetings and one annual general meeting (the "AGM") were held and the attendance summary is as below:

Name of Director	**Board Meetings Number of attendance/Total**	**AGM Number of attendance/Total**
Chan Chun Choi	6/6	1/1
Chan Kingsley Chiu Yin	6/6	1/1
Lo So Wa Lucy	6/6	1/1
Ip Ka Keung Patrick	6/6	1/1
Lam King Hang	6/6	1/1
Cheung Man Fu	6/6	1/1

RE-ELECTION OF DIRECTORS

In accordance with clauses 87(1) of the Company's bye-laws, Mr. Chan Kingsley Chiu Yin will retire by rotation at the AGM and, being eligible, has offered himself for re-election at the Company's forthcoming AGM.

DIRECTOR'S TRAINING

All directors should participate in continuous professional development to develop and refresh their knowledge and skills.

This is to ensure that their contribution to the board remains informed and relevant.

The Directors are committed to complying with the Code Provision A6.5 on Directors' training. All Directors have participated in continuous professional development and provided their records of training they received to the Company for the financial year ended 31 December 2020.

Name of Director	Attending seminars/ conferences/reading materials relevant to the business or directors' duties
Chan Chun Choi	✓
Chan Kingsley Chiu Yin	✓
Lo So Wa Lucy	✓
Ip Ka Keung Patrick	✘
Lam King Hang	✓
Cheung Man Fu	✓

THE CHAIRMAN AND MANAGEMENT TEAM

The Company implements a clear division of responsibilities among its top management. The chairman is kept separate from the control of daily operations. The role of chairman is management of the Board including oversees the functions of the Board and provide leadership for the Board. The management team takes responsibility for the Group's day-to-day business operations.

The positions of chairman of the Board and chief executive officer of the Company are both currently carried on by Mr. Chan Chun Choi. Although Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both chairman and chief executive officer does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of chairman and CEO, are necessary.

FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The Directors will also ensure the publication of the financial statements of the Group in a timely manner. Equally important, they are also responsible for keeping proper accounting records and disclosures.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three members who are all the INEDs Mr. Ip Ka Keung Patrick (Chairman), Dr. Lam King Hang and Mr. Cheung Man Fu. The composition and member of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference, which describe the authority and duties of the Audit Committee, were adopted since its establishment and had been amended to conform to the provisions of the Code.

The Audit Committee is to:

- consider the appointment of the external auditors, the performance of the external auditors, the audit fee, and any questions of resignation or dismissal;

- review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the Director to be included in the annual accounts prior to endorsement by the Board;

- have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;

- prior to audit commencement, review the scope of the external audit, including the engagement letter. The Committee should understand the factors considered by the external auditor in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;

- review the annual and interim financial reports prior to approval by the Board;

- review the draft representation letter to approval by the Board;

- evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs; inquire of the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;

- seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;

- discuss with the external auditor any recommendations arising from the audit (if necessary in the absence of management); and review the draft management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised;

- ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;

- review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;

- the engagement of the external auditor to perform non-audit services is in general prohibited except for tax related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, the prior approval of the Committee is required;

- discuss with management the scope and quality of internal control and risk management systems;

- discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget;

- apprise the Board of significant developments in the course of performing the above duties;

- recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;

- arrangements for employees of the Company to raise concerns about financial reporting improprieties;

- review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules, and regulations;

- establish a whistleblowing policy and system;

- approve the policies relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of an audit; and

- consider other topics, as requested by the Board.

The Audit Committee convenes meetings to review with management the accounting principles and practices adopted by the Group and all other matters within the scope of its terms of reference and the maintenance of the independence and objectivity of the external auditors. For the audit of 2020 accounts, the existing Committee members satisfy with the performance by the Auditor, who presented the implications of those accounting standards enforceable in this and subsequent financial years to the Audit Committee.

The Group's 2020 audited consolidated financial statements had been duly reviewed by the Audit Committee and discussed with the Auditor before being recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of the Auditor and therefore recommends the Board that the Auditor be re-appointed as our auditor in the Company's forthcoming annual general meeting. With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2020 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.

The Audit Committee should meet at least twice per year and convenes additional meetings when necessary.

During the year, five Audit Committee meetings were held and the attendance summary is as below:

Name of Director	**Number of attendance/Total**
Ip Ka Keung Patrick *(Chairman)*	5/5
Lam King Hang	5/5
Cheung Man Fu	5/5

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with specific terms of reference. The Remuneration Committee members are all the INEDs Dr. Lam King Hang (Chairman), Mr. Ip Ka Keung Patrick and Mr. Cheung Man Fu. The Remuneration Committee provides objective opinions in helping the Group formulating remuneration policies, especially for those involving Directors or senior management. Moreover, the Remuneration Committee ensures that no conflicting parties are involved in the decision process of committing remuneration packages. In short, the objective of this Remuneration Committee is to assure that the Group is able to attract, retain, and motivate a high-caliber management team which is essential to the future of the Company.

The Remuneration Committee shall:

- formulate remuneration policy for approval by the Board, which shall take into account factors such as salaries paid by comparable companies, employment conditions, and responsibilities, and individual performance of the directors, senior management, and the general staff. Performance shall be measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration policy laid down by the Board;

- without prejudice to the generality of the foregoing:

  – establish guidelines for the recruitment of the Managing Director and senior management;

  – recommend to the Board the policy and structure for the remuneration of directors and senior management whilst ensuring no director or any of his associates is involved in deciding his own remuneration;

  – determine the remuneration of directors and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc). The Chairman and/or the Managing Director shall be consulted respectively about their proposals relating to the remuneration of the Managing Director and/or senior management, as the case may be;

- review and approve the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive directors and senior management which shall be fair and not excessive;

- determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets;

- consider the annual performance bonus for Executive Directors, senior management, and the general staff, having regard to their achievements against the performance criteria by reference to market norms, and make recommendation of the Board;

- engage such external independent professional advisors to assist and/or advise the Committee on issues as it considers necessary;

- do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and

- conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The Remuneration Committee should meet at least once per year and convenes additional meetings when necessary.

During the year, three Remuneration Committee meetings were held and the attendance summary is as below:

Name of Director	**Number of attendance/Total**
Lam King Hang *(Chairman)*	2/3
Ip Ka Keung Patrick	2/3
Cheung Man Fu	3/3

The remuneration package for Hong Kong staff is strictly on a monthly-salary basis. Year-end bonus is 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.

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.

Due to its unfavorable performance over years, the Group offered no benefits of any kind, except the employer's contribution to MPF, to its directors and staff in 2020.

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

The emoluments paid or payable to each of six (2019: six) Directors were as follows:

	Fees 2020 HK$'000	**Salaries, bonuses and allowances 2020 HK$'000**	**Contributions to retirement benefit scheme 2020 HK$'000**	**Total 2020 HK$'000**	Total 2019 HK$'000
Executive director and chief executive					
Mr. Chan Chun Choi	**600**	**-**	**-**	**600**	600
Executive directors					
Ms. Lo So Wa, Lucy	**-**	**480**	**18**	**498**	498
Mr. Chan Kingsley Chiu Yin	**-**	**360**	**18**	**378**	378
Sub-total	**600**	**840**	**36**	**1,476**	1,476
Independent non-executive directors					
Mr. Ip Ka Keung	**100**	**-**	**-**	**100**	100
Dr. Lam King Hang	**100**	**-**	**-**	**100**	100
Mr. Cheung Man Fu	**100**	**-**	**-**	**100**	100
Sub-total	**300**	**-**	**-**	**300**	300
Total	**900**	**840**	**36**	**1,776**	1,776

The emoluments of the Directors fell within the following bands:

	2020 Number of Directors	2019 Number of Directors
Nil – HK$1,000,000	**6**	6

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established by the Board with specific terms of reference. The members of the Nomination Committee are all the INEDs Mr. Cheung Man Fu (Chairman), Mr. Ip Ka Keung Patrick and Dr. Lam King Hang. The Nomination Committee responses to:

- review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy;
- identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise;
- make recommendations to the Board on matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Managing Director;
- assess the independence of independent non-executive directors and review the Independent Non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the Corporate Governance Report; and
- report back to the Board on decisions or recommendations made, unless there are legal or regulatory restrictions to do so.

The Board adopts the underlying principles of the Corporate Governance Code regarding tenure of the Board, and seeks to strike an appropriate balance between continuity of experience and refreshment. Although serving on the Board for more than 9 years could be relevant to the determination of a Non-executive Director's independence, the Board recognises that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. We consider that continued tenure brings considerable stability to the Board and the Board has benefited greatly from the presence of individuals who have over time gained valuable insight into the Group and its markets.

Rigorous review is applied to assessing the continuing independence of Directors having served for over 9 years, with attention to ensuring that they remain independent in character and judgement, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management and the Board. As candidates for election are proposed by separate resolutions put forward for shareholders' consideration at general meetings, the circular to shareholders accompanying the resolution for electing an INED having served for more than 9 years will include the reasons why the Board believes he/she is still independent and should be re-elected.

The Nomination Committee should meet at least once per year and convenes additional meetings when necessary.

During the year, three Nomination Committee meetings were held and the attendance summary is as below:

Name of Director	**Number of attendance/Total**
Cheung Man Fu *(Chairman)*	3/3
Ip Ka Keung Patrick	2/3
Lam King Hang	3/3

NOMINATION POLICY

This director nomination policy aims to set out the criteria and process in the nomination and appointment of directors of the Company; ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and ensure the Board continuity and appropriate leadership at Board level.

Nomination and Appointment of Directors

Criteria

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination Process

- Appointment of New Director
  - The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
  - The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
  - If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

- For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

- Re-election of Director at General Meeting

  - The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

  - The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

  - The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

  Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

Regular Review

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and this Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

AUDITOR'S REMUNERATION

During the financial year, fees paid or payable to Asian Alliance (HK) CPA Limited, the auditor of the Company (the "Auditor") for audit services was HK$400,000 and for non-audit service was HK$160,000.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is an employee of the Company. The Company Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of Directors. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed. During the year under review, the Company Secretary has confirmed that she has taken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDER RIGHTS

In accordance with clause 58 of bye-laws, any shareholder holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for transaction of any business specified in such requisition.

INVESTOR RELATIONS

The Board welcomes shareholders' views on matters affecting the Group, and encourages their attendance at shareholders' meetings to communicate any concerns they may have with the Board or management directly. The Company's AGM is an especially important forum.

In respect of any disclosable and significant event, the Company will make accurate and complete disclosure through the publication of announcements, notices, circulars, interim and annual reports in a timely manner on the websites of the Stock Exchange and the Company, pursuant to the disclosure requirements under the Listing Rules.

The Company considers that maintaining on-going and open communications with investors could enhance investors' understanding of and confidence in the Company as well as improving its corporate governance standards. The Company maintains its website at http://www.victoryg.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and objectives

The Board acknowledges that it is the responsibility of the Board for the maintenance of sound and effective risk management and internal control systems to safeguard the Shareholders' investment and the assets of the Group, maintain proper accounting records, and ensure the execution of business decisions with appropriate authority and compliance of the relevant laws and regulations. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Main features of the risk management and internal control systems

To ensure the efficient and effective operation of the business and operations, relevant internal control procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. These procedures are monitored and reviewed from time to time and updated where necessary.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the key processes of the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and

- Considers the impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritizes the risks by comparing the results of the risk assessment; and

- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;

- Revises the risk management strategies and internal control processes in case of any significant change of situation; and

- Report the results of risk monitoring to the management and the Board regularly.

The management has carried out periodic review of the procedures and the implementation of the risk management and internal control systems, including areas covered accounting, business and legal compliance.

The Board is responsible for implementing and reviewing the risk management and of internal control systems its effectiveness. The Board is also responsible for reviewing and considering the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function annually. The Board has in place an internal audit function within the Group as required under code provision C.2.5 of the Corporate Government Code. The Group has engaged an independent professional adviser (the "Internal Control Adviser") to conduct an annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2020. Such review is conducted annually. The scope of review included expenditure cycle, financial reporting cycle and treasury cycle for one of our operating subsidiary. Internal Control Adviser has reported major findings and areas for improvement to the Company. The Group therefore considered that its risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's risk management and internal control systems are inadequate.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The board of directors of the Company is pleased to present this Environmental, Social and Governance ("ESG") Report. The ESG Report elaborates on various works of the Group in fully implementing the principle of sustainable development and its performance of social and governance from 1 January 2020 to 31 December 2020 (the "Year"). For information on our corporate governance, please refer to the "Corporate Governance Report" of this annual report.

SCOPE OF THE ESG REPORT

The ESG Report presents the Group's sustainability approach and performance in the environmental and social aspects of its business in Hong Kong during the Year. The Group will continue to strengthen its efforts to collect information in order to enhance its performance in the environmental and social areas.

REPORTING BASIS AND PRINCIPLES

The ESG Report is prepared in accordance with the ESG Reporting Guide (the "ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Main Board Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and based on the four reporting principles – materiality, quantitative, balance and consistency:

Materiality: This ESG Report discloses ESG issues considered by the Board in compliance with the materiality principle of the Stock Exchange. For the details of communication with stakeholders, identification and results of material issues, please refer to the "Materiality Analysis" section below.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for qualitative key performance indicators herein and source of conversion factors are all explained in the definitions of the Report.

Balance: This ESG Report shall provide an unbiased picture of the ESG performance of the Group during the Year. It should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgement by the Report readers.

Consistency: The statistical methodologies applied to the data disclosed in this ESG Report shall be consistent.

FEEDBACK

We welcome stakeholders' feedback on our environmental, social and governance approach and performance. Please share your views with us via:

Address: Room 1609, New East Ocean Centre,
9 Science Museum Road,
Tsim Sha Tsui East,
Kowloon, Hong Kong

E-mail: info@1139vgl.com

SUSTAINABILITY GOVERNANCE

The Group endeavours to maintain good corporate governance in managing sustainability issues that have significant impacts on the environment and society posed by the Group's operation. It also enables the Group to cope with ESG challenges in a timely manner. While relevant departments work together in managing sustainability issues that are significant to the Group and its stakeholders, the Board has the overall responsibility for the Group's sustainability governance and is responsible for overseeing the potential impacts and related risks on sustainability issues of the Group's operation.

COMMUNICATION WITH STAKEHOLDERS

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholder engagement helps the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhances the ability to identify risk and strengthens important relationships. The following table summarizes our diverse communication channels and their expectations with different stakeholder groups:

Stakeholders	Communication Channels	Expectations and Concerns
Employees	• Internal meetings • Performance assessment • Company activities	• Employees' compensation and benefits • Health and safety working environment • Career development opportunities
Customers	• Business communication • E-mails	• High quality products and services • Protect the rights of customers
Suppliers	• Business communication • E-mails	• Fair and open procurement • Win-win cooperation
Shareholders	• Shareholders' meetings • Regular reports and announcements • Company website	• Return on investments • Information disclosure and transparency • Protection of interests and fair treatment of shareholders
Community	• Official websites • Regular reports and announcements	• Involvement in communities • Business compliance • Environmental protection awareness
Government and regulatory bodies	• Information submission • E-mails	• Compliance with laws and regulations • Promote regional economic development and employment

MATERIALITY ANALYSIS

An online questionnaire has been conducted so as to collect data and form materiality assessment as the basis for the Group to map out long-term strategies for sustainable development. Both our internal and external stakeholders were invited to fill in the questionnaire and scores for the 17 identified ESG issues in accordance with their relevance and importance to the business operation and the stakeholders themselves respectively.

Materiality Issues

1. Protection of employee rights (e.g. equal opportunities, career, anti-discrimination, prevention of child and forced labour)
2. Employment policies (e.g. employment and dismissal procedures)
3. Employee turnover rate
4. Occupational health and safety
5. Employee training and development
6. Employee salaries and benefits
7. Protection on personal data privacy
8. Air and greenhouse gas emissions
9. Resource management (e.g. electricity, water usage etc.)
10. Waste management
11. Supply chain management
12. Product safety and quality
13. Customer satisfaction and complaints handling
14. Protection of intellectual property rights
15. Community investment
16. Anti-corruption
17. Labour standards

After an evaluation on the materiality assessment results, the ESG issues which were the most material include: employment policies, occupational health and safety, protection on personal data privacy, labour standards, protection of intellectual property rights and anti-corruption. As these topics matter the most to stakeholders and the Group's business operation, the Group would address these issues individually in the following sections of the ESG Report.

ENVIRONMENTAL PERFORMANCE

As a responsible corporate citizen, the Group is committed to protecting natural resources and the global environment. Our commitment to emission reduction, energy and resources conservation encompasses every aspect of our operation, and we have complied with laws and regulation related to environmental protection. In light of our business nature, our Group's business activities do not generate any hazardous waste and do not have any direct and significant impacts on the environment and natural resources in the course of its operation. Our greenhouse gas ("GHG") emissions are mainly generated from the use of purchased electricity for daily office operations. The detail of greenhouse gas emissions and energy consumption of the Group during the Year was as follows:

Air and Greenhouse Gas Emissions[1]

	2020	2019	Unit
GHG emissions in total	**6.33**	10.16	Tonnes of CO_2e
GHG emissions (Scope 1)	**N/A**	N/A	Tonnes of CO_2e
GHG emissions (Scope 2)	**6.33**	10.16	Tonnes of CO_2e
The intensity of GHG emissions	**1.06**	1.69	Tonnes of CO_2e/employee

Energy Consumption

	2020	2019	Unit
Total energy consumption – electricity	**12,413**	19,919	kWh
The intensity of energy consumption	**2,068.83**	3,319.83	kWh/employee

In order to minimise the energy consumption, various sustainable development measures have been enforced to address environmental responsibilities, including but not limited to the following:

- Utilize natural lighting and energy-efficient light bulbs which can help to reduce electricity consumption
- The temperatures of air-conditioners should be standardized at offices especially during different seasons
- Lighting and electronic equipment which are idle should be switched off
- Utilize LED lighting as LED lighting will operate in a more energy efficient manner and help to lower electricity consumption
- Filters of air conditioning system should be cleaned regularly to ensure they are operating efficiently
- Encouraging our staff to utilise teleconferences and video conferences, to reduce air and GHG emissions related to transportation needed for meetings
- Scheduled or offsite meetings conducted within one trip can also help to reduce the frequency of taking transportations

1 Our reporting on air and greenhouse gases (GHG) emissions are mainly based on the requirements in "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEx and "GHG Protocol Corporate Accounting and Reporting Standard (revised edition)" published by the World Business Council for Sustainable Development and World Resources Institute.

Waste Management

Since the Group's business does not involve manufacturing activities, we did not generate hazardous waste nor consuming packing materials. Non-hazardous wastes (commercial wastes and the disposal of computer devices and office equipment) produced by the Company are also at a minimum.

Paper waste is the major non-hazardous waste generated in our daily office operations. We have adopted the "3Rs" principle which means reduce, reuse and recycle, as our waste management strategy. We implement the policy of double-sided printing and copying and disseminate information by electronic means whenever possible to reduce paper consumption. To further reduce the waste and paper consumption, the following measures have been implemented:

- Utilising electronic communication where applicable
- Employees are encouraged to share their tips for other coworkers to learn to adopt a more environmentally-responsible lifestyle
- Employees should keep in mind that to "think twice" before making a copy of documents
- Toner cartridges are collected for proper recycling
- Encourage to use reusable products instead of non-refillable stationeries and office supplies

During the Year, 0.01 tonnes of paper (2019: 0.02 tonnes), together with a very low level of intensity which was calculated in tonnes/employee had been consumed.

Water Use Management

Our water usage was mainly consumed at the office which included tap water and drinking water. The Group is not aware of any issue in sourcing water during the Year. For avoiding unnecessary water wastage, the Group often advised employees to report timely on any faulty water installations. Also, labels were posted to remind and encourage employees to reduce water usage. Water supply of the Group's offices is controlled by the property management parties. Since the management party was unable to provide water usage data or sub-meter to individual tenants, water usage data for those offices in Hong Kong was not feasible to be included in the Report.

Compliance

During the Year, the Group was not aware of any non-compliance with the laws and regulations relating to environmental protection and pollutant control, such as Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and other relevant laws and regulations related to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.

OUR PEOPLE

The Group regards talents as a key to corporate success and sustainability. Our key management has had over 20 years of experience in the car trading industry. Their extensive experience allows them to make buying decisions that are in line with the latest market trends. In addition, we have an experienced sales team, some of them have been working in the industry for over 15 years.

Recruitment and Promotion

The Group has formulated its recruitment procedures and practices. Whenever there were recruitment needs, the Group would determine the job requirements specific to the relevant functions and rankings. Recruitment was simply based on job requirements and would not be affected by other attributes, for preventing any occurrence of discrimination. Fair and competitive remuneration and benefits would be provided in order to retain our talents. These packages are set according to an individual's performance, personal traits, job experiences and career goals.

Being an employer supporting equal opportunity, the Group embraced a wide diversity of employment culture in terms of gender, age, skill set, educational background, industry experience and other qualifications. The Group conducted performance appraisal on regular basis for identifying the appropriate talents with adequate promotion opportunities.

Compensation and Benefits

The Group's employees were entitled to salaries in compliance with applicable laws and regulations related to minimum wage, overtime compensation and other mandatory benefits. Moreover, the salaries were paid in a timely manner as per applicable regulations.

We offered employees with remuneration packages structured with reference to market practices and individual employee's experience, skills and performance.

In addition to legal benefits such as annual leave and maternity leave, the Group's employees were also entitled to fringe benefits including five-day work week, compassionate leave and medical insurance schemes. The Group had also adopted a share option scheme and a share award scheme, of which the participants included directors or employees.

Equal Opportunities

We are dedicated to providing equal opportunity in all aspects of employment and maintaining a workplace that are free from discrimination against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status and sexual orientation. With the aim of ensuring fair and equal protection for all employees, we have zero tolerance on sexual harassment or abuse in the workplace in any form. A fair staff performance assessment scheme is set for making promotion decision. Staff appraisal will be conducted annually to assess their work performance. Unreasonable dismissal under any circumstances is forbidden in the Group. Dismissal process will only be proceeded on a reasonable basis when sufficient communications are conducted prior to issuing any official dismissals.

Development and Training

The Group encourages its staff to develop and enhance their professional knowledge and skills to cope with the evolving market environment. The staff members are encouraged to take external professional training to strengthen their work-related expertise. In addition, experienced employees will provide supervision to the subordinates in order to enhance communication and team spirits within the Company, and to improve their technical skills and managerial capability.

Labour Standards

The Group would not tolerate any child labor and forced labor. During a recruitment process, identification documents of applicants were reviewed by the Group to ensure that all of its new hires are of legal minimum age for employment.

Compliance

During the Year, the Group did not have incidents regarding to child labor or forced labour. Also, the Group was not aware of any material non-compliance with the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong) and Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong), Employee's Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and other relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare during the Year.

Occupational Health and Safety

The Group is committed to the provision of a safe and healthy working environment for employees. This included the establishment of a comfortable workplace with adequate lighting and good air quality, as well as pest control at regular intervals. The Group has adopted the following key measures to prevent work injury, enhance employees' awareness of occupational health and safety and to promote safety working culture.

- Prohibition of any hazardous activities including smoking and consuming liquor at the workplace
- Air-conditioners and carpets are cleaned regularly
- Ensure sufficient ventilation and adequate lighting
- The office is equipped with first-aid kits so that employees can receive immediate treatments for minor personal injuries
- Employees are required to familiarize themselves with their evacuation routings by participating fire drills organized by office building's property management company

In 2020, the outbreak of the novel coronavirus epidemic ("COVID-19") has brought exceptional challenges to Hong Kong. The health and well-being of all our staff is our utmost priority in these challenging times. In order to combat the spread of COVID-19 together with the community, 70–80% alcohol-based handrub are placed at our premises for hand sanitization. All staff and visitors are also required to wear face masks. Besides, all our staff were monitored for COVID-19 related symptoms, such as fever, cough, sore throat and shortness of breath daily. We believe that employees' health, safety and well-being comes before work and we will always seek to create a better working environment for them.

Compliance

During the Year, the Group was not aware of any incidents of non-compliance with the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and other relevant laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and preventing occupational hazards from happening. In addition, we also did not receive any reports in regards of work injuries or casualties during the Year.

SUPPLY CHAIN MANAGEMENT

The Group does not produce any physical products nor have significant procurement during the Year. The suppliers of the Group during the Year mainly include professional services providers, property management, as well as office supplies vendors. The Group is committed to managing its suppliers through stringent selection of suppliers. We encourage our business partners to adopt the best environmental and social practices and to disseminate the pursuit of sustainability into the core business. During the Year, the Group was not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

PRODUCT RESPONSIBILITY

Customer service has always been important to us and the success of our business. We believe that well-established aftersales and maintenance services will enhance our relationships with our customers thereby creating customer loyalty and expanding our existing customer base through the goodwill of our existing customers. Customers can contact us through the hotline and internet collaboration platform. Our authorized distributors are committed to continuously source and ally with different local automobile mechanic shops to provide an extensive range of aftersales and maintenance services to our customers.

PRIVACY PROTECTION

The Group strives to protect the privacy of its customers and staff in the collection, processing and use of their business or personal data, and prevent improper use or leakage of information. We constantly maintain the most updated versions of firewalls and anti-virus software to safeguard any hackers from gaining access to confidential information.

During the Year, the Group was not aware of any material non-compliance with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and other relevant laws and regulations that constitutes a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters.

ANTI-CORRUPTION

The Group is strictly abided by the regulations pertinent to anti-corruption, anti-bribery, prevention of extortion and fraud, and anti-money laundering, etc. Staff handbook has been established to cover the code of conduct. Employees are encouraged to report any to the management. There was no legal case regarding corrupt practices nor any case of corruption found or reported by the Group during the Year.

COMMUNITY INVESTMENT

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. We encourage our employees to pursue their personal passions and dedicate their time and skills to supporting local communities. We strive to develop long-term relationships with our stakeholders and bring a positive impact on community development.

REFERENCES TO THE ESG REPORTING GUIDE

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Performance	37
KPI A1.1	The types of emissions and respective emissions data.	Environmental Performance	37
KPI A1.2	Greenhouse gas emissions in total and where appropriate, intensity.	Environmental Performance	37
KPI A1.3	Total hazardous waste produced and where appropriate, intensity.	N/A	N/A
KPI A1.4	Total non-hazardous waste produced and where appropriate, intensity.	Environmental Performance	37
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Performance	37
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Performance	37

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
A. Environmental			
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Environmental Performance	37
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental Performance	37
KPI A2.2	Water consumption in total and intensity.	Environmental Performance	37
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Performance	37
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Use Management	38
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	N/A	N/A
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Performance	37
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Performance	37

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
B. Social			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People	39
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Not disclosed for the Year	–
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed for the Year	–
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety	40
KPI B2.1	Number and rate of work-related fatalities.	Occupational Health and Safety	40
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety	40
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	40
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	39
KPI B3.1	The percentage of employees trained by gender and employee category.	Not disclosed for the Year	–
KPI B3.2	The average training hours completed per employee by gender and employee category.	Not disclosed for the Year	–

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	40
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	40
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards	40
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	41
KPI B5.1	Number of suppliers by geographical region.	Not disclosed for the Year	–
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Not disclosed for the Year	–
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility/ Privacy Protection	41
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not disclosed for the Year	–
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Not disclosed for the Year	–
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not disclosed for the Year	–
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility	41
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Privacy Protection	41

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	41
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Year and the outcomes of the cases.	Anti-corruption	41
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	41
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	41
KPI B8.1	Focus areas of contribution.	Not disclosed for the Year	–
KPI B8.2	Resources contributed to the focus area.	Not disclosed for the Year	–

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE MEMBERS OF VICTORY GROUP LIMITED
華多利集團有限公司
(incorporated in the Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Victory Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 121, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to the owners of the Company of approximately HK$23,484,000 and had net cash used in operating activities of approximately HK$15,220,000 for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current asset by approximately HK$39,338,000 and the Group had net liabilities of approximately HK$26,642,000. These conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Net realisable value assessment of inventories

The Group has been engaged in trading of motor vehicles business in Hong Kong. As disclosed in Note 22 to the consolidated financial statements, as at 31 December 2020, the carrying amount of the Group's inventories was approximately HK$2,277,000.

In estimating the amount of write-down of inventories, management reviews the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of write-down of inventories.

We identified the net realisable value assessment of inventories as a key audit matter because determining an appropriate provision of inventories involves significant management judgement in assessing the markdowns necessary to sell slow moving inventories.

How our audit addressed the key audit matter

Our major audit procedures to address this key audit matter included:

- Evaluating the appropriateness of the Group's accounting policy on the valuation of its inventories.
- Looking out for slow-moving inventories during our attendance of physical inventory count at year end.
- Checking and analysing the aging profile of the inventories by verifying to the underlying suppliers' invoices.
- Testing the unit cost of the inventories and checking management's assessment of inventories to state that at the lower of cost and net realisable value by comparing the carrying amount of the inventory items to their recent selling prices.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Chung Chi Chiu
Practising Certificate Number: P06610

8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

31 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	7	–	423
Interest under effective interest method		–	423
Contracts with customers		–	–
Cost of sales		–	–
Gross profit		–	423
Other income and gains	9	**264**	35
Impairment losses under expected credit loss model, net of reversal	10	–	(572)
Administrative expenses		**(22,154)**	(16,001)
Share of loss of a joint venture	21	**(1)**	(1)
Operating loss		**(21,891)**	(16,116)
Finance costs	11	**(1,683)**	(839)
Loss before tax		**(23,574)**	(16,955)
Income tax expense	12	–	–
Loss and total comprehensive expense for the year	13	**(23,574)**	(16,955)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(23,484)**	(16,774)
Non-controlling interests		**(90)**	(181)
		(23,574)	(16,955)
Loss per share	17		
Basic (HK cents)		**(2.73)**	(1.95)
Diluted (HK cents)		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*18*	**1,317**	1,375
Right-of-use asset	*19*	**10,281**	10,662
Deposit paid	*20*	**600**	–
Interest in a joint venture	*21*	**498**	499
		12,696	12,536
CURRENT ASSETS			
Inventories	*22*	**2,277**	2,500
Trade receivable	*23*	**–**	2,270
Loan and interest receivables	*24*	**–**	879
Prepayments, deposits and other receivables	*25*	**113**	1,729
Bank balances and cash	*26*	**65**	14
		2,455	7,392
CURRENT LIABILITIES			
Other payables and accruals	*27*	**5,062**	4,241
Amount due to a director	*29*	**1,032**	619
Amount due to a joint venture	*29*	**498**	–
Loan from a shareholder	*30*	**15,000**	–
Loan from a director	*30*	**1,598**	–
Bank borrowing	*31*	**18,500**	18,000
Bank overdrafts	*26*	**103**	136
		41,793	22,996
NET CURRENT LIABILITIES		**(39,338)**	(15,604)
NET LIABILITIES		**(26,642)**	(3,068)

	Notes	2020 HK$'000	2019 HK$'000
CAPITAL AND RESERVES			
Share capital	33	**859**	859
Reserves		**(25,584)**	(2,100)
Equity attributable to owners of the Company		**(24,725)**	(1,241)
Non-controlling interests		**(1,917)**	(1,827)
TOTAL DEFICIT		**(26,642)**	(3,068)

The consolidated financial statements on pages 51 to 121 were approved and authorised for issue by the board of directors on 31 March 2021 and are signed on its behalf by:

Chan Chun Choi	**Lo So Wa Lucy**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Other reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019	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)
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(23,484)	(23,484)	(90)	(23,574)
At 31 December 2020	**859**	**158,099**	**710**	**(4)**	**(184,389)**	**(24,725)**	**(1,917)**	**(26,642)**

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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(23,574)**	(16,955)
Adjustments for:		
Interest expenses	**1,683**	839
Depreciation of property, plant and equipment	**58**	63
Depreciation of right-of-use asset	**381**	381
Write-off of trade receivable	**2,070**	4,561
Write-off of loan and interest receivables	**879**	–
Write-off of other receivables	**1,588**	714
Write-down of inventories	**223**	452
Impairment loss, net of reversal		
– financial assets and other items under expected credit loss model	**–**	572
Share of loss of a joint venture	**1**	1
Operating cash flows before movements in working capital	**(16,691)**	(9,372)
Decrease in trade receivable	**200**	3,280
Decrease in loan and interest receivables	**–**	186
Decrease in prepayments, deposits and other receivables	**20**	297
Increase in other payables and accruals	**838**	2,135
Decrease in contract liabilities	**–**	(1,095)
Increase in amount due to a director	**413**	611
Cash used in operations	**(15,220)**	(3,958)
Income tax refunded	**–**	29
NET CASH USED IN OPERATING ACTIVITIES	**(15,220)**	(3,929)
NET CASH USED IN INVESTING ACTIVITIES		
Deposit paid for acquisition of subsidiaries	**(600)**	–
FINANCING ACTIVITIES		
Advance from a joint venture	**498**	–
Loan from a shareholder	**15,000**	–
Loan from a director	**1,500**	–
New bank borrowing raised	**500**	2,500
Interest paid	**(1,594)**	(839)
NET CASH FROM FINANCING ACTIVITIES	**15,904**	1,661
NET DECREASE IN CASH AND CASH EQUIVALENTS	**84**	(2,268)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**(122)**	2,146
	(38)	(122)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER,		
represented by:		
Bank balances and cash	**65**	14
Bank overdrafts	**(103)**	(136)
	(38)	(122)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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, Tsim Sha Tsui 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").

The Group was principally engaged in investment holding, trading of motor vehicles and money lending business.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to Hong Kong Accounting Standards ("HKAS") 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

Amendments to HKFRSs that are mandatorily effective for the current year – Continued

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to HKFRS 3 *Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered as a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New and amendments to HKFRSs in issue 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 and the related Amendments[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company (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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New and amendments to HKFRSs in issue but not yet effective – Continued

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC) – Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New and amendments to HKFRSs in issue but not yet effective – Continued

Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

HKFRS 9 *Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 *Leases*

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 *Agriculture*

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The Group incurred a loss attributable to owner of the Company of approximately HK$23,484,000 and had net cash used in operating activities of approximately HK$15,220,000 for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current asset by approximately HK$39,338,000 and the Group had net liabilities of approximately HK$26,642,000. Nevertheless, 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$10,500,000;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS – Continued

(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) directors of the Company, Mr. Chan Chun Choi and Ms. Lo So Wa Lucy, have 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 and Ms. Lo So Wa Lucy, 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 2020.

Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2020 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 as current assets and to provide for further liabilities which might arise.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS – Continued

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.2 Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.2 Investment in a joint venture – Continued

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint ventures or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to a fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.3 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for an presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.4 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

Right-of-use asset

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use asset in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use asset as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.5 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

4.6 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.7 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.8 Employee benefits

(a) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF") are recognised as an expense when employees have rendered services entitling them to the contributions.

(b) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary difference can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.9 Taxation – Continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4.10 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.11 Impairment on property, plant and equipment and right-of-use asset

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use asset to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use asset are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In testing a CGU for impairment, corporate assets are also allocated to relevant CGU when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on specific identification and include all cost of purchase, and other costs incurred in bringing the inventories to their present location and conditions. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4.14 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchase or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.14 Financial instruments – Continued

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.14 Financial instruments – Continued

Financial assets – Continued

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivable, loan and interests receivables, deposits and other receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivable. Trade receivable with significant balances and credit-impaired are assessed for ECL individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.14 Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.14 Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.14 Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivable using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

ECL for deposits and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivable, loan and interest receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

4.14 Financial instruments – Continued

Financial assets – Continued

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including other payables and accruals, amount due to a director/a joint venture, loan from a shareholder/a director, bank borrowing and bank overdrafts are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern and liquidity

As explained in Note 3 to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in Note 3 to the consolidated financial statements.

Classification of Victory Investment Holdings Limited as a joint venture

Victory Investment Holdings Limited is a limited liability company incorporated in the Hong Kong whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Victory Investment Holdings Limited is classified as a joint venture of the Group. For details, please refer to Note 21 to the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – Continued

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Estimated impairment losses of owned property and right-of-use asset

Owned property and right-of-use asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts.

The Directors appointed an independent qualified professional valuer, Roma Appraisals Limited ("Roma"), to perform property valuations to estimate the recoverable amount of the owned property and right-of-use asset based on prices realised on actual sales of comparative properties. The determination of the recoverable amount involves certain assumptions of market conditions. In light of the negative impact of the COVID-19 pandemic, Roma included uncertainty clauses in the valuation reports in respect of the owned property and right-of-use asset. Whilst the Group considers valuations of the Group's owned property and right-of-use asset are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility depending on how the COVID-19 pandemic may progress and evolve, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, changes in policy direction and/or mortgage requirements, or other unexpected incidents would result in changes in the estimate of the recoverable amount of the Group's owned property and right-of-use assets.

As at 31 December 2020, the carrying amounts of owned property and right-of-use asset subject to impairment assessment were approximately HK$1,306,000 and HK$10,281,000 (2019: HK$1,354,000 and HK$10,662,000) respectively. No impairment losses on the owned property and right-of-use asset were recognised for the years ended 31 December 2020 and 2019. Details of the impairment assessment of owned property and right-of-use asset are disclosed in Notes 18 and 19 respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – Continued

Key sources of estimation uncertainty – Continued

(b) Provision of ECL for trade receivables and other receivables

Trade receivables and other receivables with significant balances and credit-impaired are assessed for ECL individually. The provision rates are based on past-due as groupings of various debtors that have similar loss patterns. In addition, the Group uses provision matrix to calculate ECL for trade receivables which are individually insignificant. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and other receivables are disclosed in Notes 6(b), 23 and 25 respectively to the consolidated financial statements.

(c) Provision of ECL for loan and interest receivables

Impairment loss on loan and interest receivables represent management's best estimate of losses incurred in the loan portfolio at the reporting date under ECL models. Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition. The Group is required to exercise judgement in making assumptions and estimates when calculating loan's impairment loss, including any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans portfolio and historical loss experience on the basis of the relevant observable data that reflects current economic conditions.

The measurement of the ECL involves significant management judgment and assumptions, primarily including the selection of appropriate models and determination of relevant key measurement parameters, criteria for determining whether or not there was a significant increase in credit risk or a default was incurred, economic indicators for forward-looking measurement, and the application of economic scenarios and weightings, management consideration due to significant uncertain factors not covered in the models and the estimated future cash flows.

The information about the ECL and the Group's loan and interest receivables are disclosed in Notes 6(b) and 24 to the consolidated financial statements.

(d) Estimated write-down of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any cost to sell the goods. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The write-down of inventory is the difference between the carrying value and net realisable value of inventories. In determining whether the cost of inventories can be realised, significant judgment is required. In making this judgment, the Group evaluates, amongst other factors, the duration and extent and the means by which the amount will be realised. These estimates are based on the current market condition and past experience in sales of similar products. It could change significantly as a result of changes in customer preferences and market condition.

During the year ended 31 December 2020, write-down of inventories of approximately HK$223,000 (2019: HK$452,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

(i) Financial assets

	2020 HK$'000	2019 HK$'000
Financial assets at amortised cost		
Trade receivable	–	2,270
Loan and interest receivables	–	879
Deposits and other receivables	59	1,678
Bank balances and cash	65	14
	124	4,841

(ii) Financial liabilities

	2020 HK$'000	2019 HK$'000
Amortised cost		
Other payables and accruals	5,062	4,241
Amount due to a director	1,032	619
Amount due to a joint venture	498	–
Loan from a shareholder	15,000	–
Loan from a director	1,598	–
Bank borrowing	18,500	18,000
Bank overdrafts	103	136
	41,793	22,996

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivable, loan and interest receivables, deposits and other receivables, bank balances and cash, other payables and accruals, amount due to a director/a joint venture, loan from a shareholder/a director, bank borrowing and bank overdrafts. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group have foreign currency loan from a director which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the end of the reporting period are as follows:

	Liabilities	
	2020	2019
	HK$'000	HK$'000
Renminbi ("RMB")	**1,598**	–

The Group is mainly exposed to RMB.

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Market risk – Continued

(i) Currency risk – Continued

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) change in HK$ against the respective foreign currencies. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax loss where HK$ weaken against the respective foreign currencies. For a 5% (2019: 5%) strengthening of HK$ against the relevant currency, there would be an equal and opposite impact on the post-tax loss and the balances below would be negative.

	RMB impact	
	2020	2019
	HK$'000	HK$'000
Post-tax loss	**80**	–

(ii) Interest rate risk

There was no change to the Group's exposure to interest rate risks or the manner in which it manages and measures the risks.

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan from a shareholder and loan from a director (see Note 30). The Group is also exposed to cash flow interest rate risk in relation to variable-rate loan receivable (see Note 24), bank balances and bank overdrafts (see Note 26) and bank borrowing (see Note 31). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and prime rate ("Prime") and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated loan receivables, bank borrowing and bank overdrafts. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. As listed in Notes 26 and 31, several of the Group's HIBOR bank overdraft and borrowings will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Market risk – Continued

(ii) Interest rate risk – Continued

The Group currently does not have an interest rate hedging policy. However, management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Total interest income from financial assets that are measured at amortised cost is as follow:

	2020 **HK$'000**	2019 HK$'000
Interest revenue		
Financial assets at amortised costs	**–**	423

Interest expense on financial liabilities not measured at FVTPL:

	2020 **HK$'000**	2019 HK$'000
Financial liabilities at amortised cost	**1,683**	839

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instrument outstanding at the end of the reporting period were outstanding the whole year. A 100 basis points (2019: 100 basis points) increase or decrease in variable-rate loan receivables, bank borrowing and bank overdrafts are used represents management's assessment of the reasonably possible changes in interest rate. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable rate bank balance is insignificant.

	Increase/ decrease in post-tax loss HK$'000
2020	**186**
2019	173

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivable, loan and interest receivables, deposits and other receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. Although the loan and interest receivables are secured over property, the credit risk is not migrated as this security is fourth-mortgaged.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivable arising from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivable are over two years past due, whichever occurs earlier.

As at 31 December 2019, the Group only has one trade debtor and thus the trade receivable is assessed for impairment individually based on shared credit risk characteristics by reference to repayment histories and current past due exposure for customers. Reversal of impairment losses (net) of approximately HK$725,000 was recognised during the year ended 31 December 2019. Details of the quantitative disclosures are set out below in this note.

Loan and interest receivables

The Directors estimate the estimated loss rates of loan and interest receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the customers to the loan and interest receivables.

As at 31 December 2019, based on assessment by the Directors, the loss given default is high in view of the estimated realised amount of ultimate disposal of the collaterals and an impairment loss of approximately HK$462,000 is recognised during the year ended 31 December 2019.

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Deposits and other receivables

For deposits and other receivables, the management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020, no impairment loss (2019: approximately HK$835,000) is recognised.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant and therefore no loss allowance was recognised.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivable	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating that asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery or over two years past due	Amount is written off	Amount is written off

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount 2020 HK$'000**	Gross carrying amount 2019 HK$'000
Financial asset at amortised cost						
Trade receivable – contracts with customers	*23*	N/A	Loss	Lifetime ECL (credit-impaired)	**-**	4,418
Loan and interest receivables	*24*	N/A	Loss	Lifetime ECL (credit-impaired)	**-**	1,341
Deposit and other receivables	*25*	N/A	(Note)	12m ECL	**59**	90
			(Note)	Lifetime ECL (credit-impaired)	**-**	2,423
Bank balances	*26*	Aa1 – A3	Low risk	12m ECL	**60**	7

Note: For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2020

	Past due HK$'000	**Not past due/ No fixed repayment Terms HK$'000**	**Total HK$'000**
Deposit and other receivables	**-**	**59**	**59**

2019

	Past due HK$'000	Not past due/ No fixed repayment Terms HK$'000	Total HK$'000
Deposit and other receivables	2,423	90	2,513

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The following table shows the movement in lifetime ECL that has been recognised for trade receivable.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2019	2,873	–
Changes due to financial instrument recognised as at 1 January 2019		
– Transfer to credit-impaired	(1,219)	1,219
– Impairment losses recognised	–	929
– Impairment losses reversed	(1,654)	–
As at 31 December 2019	–	2,148
Changes due to financial instrument recognised as at 1 January 2020		
– Write-off	–	(2,148)
As at 31 December 2020	**–**	**–**

Changes in the loss allowance for trade receivable are mainly due to:

	2020	2019	
	Decrease in lifetime ECL	(Decrease) increase in lifetime ECL	
	Credit-impaired	Not credit-impaired	Credit-impaired
	HK$'000	HK$'000	HK$'000
Transfer to credit-impaired	**–**	(1,219)	1,219
Change in risk parameters	**–**	–	929
Settlement by trade debtors	**–**	(802)	–
Write-off of trade receivable past due over two years	**(2,148)**	–	–

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The following table shows reconciliation of loss allowances that has been recognised for loan and interest receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2019	–
Changes due to financial instrument recognised as at 1 January 2019	
– Impairment losses recognised	462
As at 31 December 2019	462
Changes due to financial instrument recognised as at 1 January 2020	
– Write-off	(462)
As at 31 December 2020	**–**

Changes in the loss allowances for loan and interest receivables are mainly due to:

	(Decrease) increase in lifetime ECL (credit-impaired)	
	2020 HK$'000	2019 HK$'000
Change in risk parameters	**–**	462
Write-off due to no realistic prospect of recovery	**(462)**	–

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The following table shows reconciliation of loss allowances that has been recognised for deposits and other receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2019	–
Changes due to financial instrument recognised as at 1 January 2019	
– Impairment losses recognised	835
As at 31 December 2019	835
Changes due to financial instrument recognised as at 1 January 2020	
– Write-off	(835)
As at 31 December 2020	–

Changes in the loss allowances for deposits and other receivables are mainly due to:

	Increase in lifetime ECL (credit-impaired)	
	2020 **HK$'000**	2019 HK$'000
New financial assets originated	**–**	835
Write-off of balance past due over two years	**(835)**	–

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

The Group relies on loan from a shareholder, loan from a director and bank borrowing as significant sources of liquidity. As at 31 December 2020, the Group has available unutilised revolving loan facilities of HK$4,500,000 (2019: HK$5,000,000).

6. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Liquidity risk – Continued

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowing with a repayment on demand clause are included in the earliest time band regardless of the probability of the bank choosing to exercise its rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	Within 1 year or on demand	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000
2020				
Other payables and accruals	**N/A**	**5,062**	**5,062**	**5,062**
Amount due to a director	**N/A**	**1,032**	**1,032**	**1,032**
Amount due to a joint venture	**N/A**	**498**	**498**	**498**
Loan from a director	**11%**	**1,628**	**1,628**	**1,598**
Loan from a shareholder	**14.5%**	**17,092**	**17,092**	**15,000**
Bank borrowing	**3.43%**	**18,500**	**18,500**	**18,500**
Bank overdrafts	**5.75%**	**103**	**103**	**103**
		43,915	**43,915**	**41,793**
2019				
Other payables and accruals	N/A	4,241	4,241	4,241
Amount due to a director	N/A	619	619	619
Bank borrowing	4%	18,000	18,000	18,000
Bank overdrafts	5%	136	136	136
		22,996	22,996	22,996

(c) Fair value measurements of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

7. REVENUE

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

	2020 **HK$'000**	2019 HK$'000
Interest income from loan financing		
– under effective interest method	–	423

For the years ended 31 December 2020 and 2019, there was no revenue from contracts with customers generated from trading of motor vehicles and parts.

8. 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

8. OPERATING SEGMENTS – Continued

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 2020

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Revenue	–	–	–
Segment results	(4,509)	(903)	(5,412)
Unallocated corporate income			210
Unallocated corporate expenses			(16,688)
Finance costs			(1,683)
Share of loss of a joint venture			(1)
Loss before tax			(23,574)

For the year ended 31 December 2019

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represents the loss from each segment without allocation of central administration costs, directors' emoluments, certain 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 2020 and 2019.

8. OPERATING SEGMENTS – Continued

Segment assets and liabilities

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

At 31 December 2020

	Trading of motor vehicles HK$'000	Money lending HK$'000	Total HK$'000
Segment assets	**2,778**	**1**	**2,779**
Unallocated corporate assets			**12,372**
Consolidated assets			**15,151**
Segment liabilities	**1,304**	**14**	**1,318**
Unallocated corporate liabilities			**40,475**
Consolidated liabilities			**41,793**

At 31 December 2019

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

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 asset, interest in a joint venture, certain bank balances and cash, certain prepayments, deposits and other receivables; and

- all liabilities are allocated to operating segments other than certain other payables and accruals, amount due to a director/a joint venture, loan from a shareholder/a director, bank borrowing and bank overdrafts.

8. OPERATING SEGMENTS – Continued

Other segment information
For the year ended 31 December 2020

	Trading of motor vehicles HK$'000	Money lending HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:				
Depreciation on property, plant and equipment	–	–	58	58
Write-off of trade receivable	2,070	–	–	2,270
Write-off of other receivables	1,588	–	–	1,588
Write-off of loan and interest receivables	–	879	–	879
Write-down of inventories	223	–	–	223
Other income	(54)	–	(210)	(264)
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 asset	–	–	381	381
Finance costs	–	–	1,683	1,683
Share of loss of a joint venture	–	–	1	1

8. OPERATING SEGMENTS – Continued

Other segment information – Continued

For the year ended 31 December 2019

	Trading of motor vehicles HK$'000	Money lending HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:				
Depreciation on property, plant and equipment	–	–	63	63
Write-off of trade receivable	4,561	–	–	4,561
Write-off of other receivables	714	–	–	714
Write-down of inventories	452	–	–	452
Reversal of impairment loss on trade receivable, net	(725)	–	–	(725)
Impairment loss on loan and interest receivables	–	462	–	462
Impairment loss on other receivables	835	–	–	835
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Other income	–	–	(35)	(35)
Depreciation of right-of-use asset	–	–	381	381
Finance costs	–	–	839	839
Share of loss of a joint venture	–	–	1	1

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.

	2020 HK$'000	2019 HK$'000
Hong Kong	**–**	423

8. OPERATING SEGMENTS – Continued

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A[1]	–	423

[1] Revenue from money lending

9. OTHER INCOME AND GAINS

	2020 HK$'000	2019 HK$'000
Government grants	264	–
Others	–	35
	264	35

During the year ended 31 December 2020, the Group recognised government grants of approximately HK$264,000 in respect of COVID-19-related subsidies which relates to Employment Support Scheme provided by the Hong Kong government.

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 HK$'000	2019 HK$'000
Impairment losses (reversed) recognised on:		
– Trade receivable	–	(725)
– Other receivables	–	835
– Loan and interest receivables	–	462
	–	572

Details of impairment assessment are set out in Note 6(b).

11. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank overdrafts	**10**	–
Interest on bank borrowing	**800**	839
Interest on loan from a shareholder	**815**	–
Interest on loan from a director	**58**	–
	1,683	839

12. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Hong Kong:		
– Current tax	**–**	–

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 2019 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%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for the Hong Kong Profits Tax has been made as the Group did not generate any estimated assessable profits arising in Hong Kong during the years ended 31 December 2020 and 2019.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the 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.

12. INCOME TAX EXPENSE – Continued

The tax charge for the years can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$'000	2019 HK$'000
Loss before tax	**(23,574)**	(16,955)
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	**(3,890)**	(2,798)
Tax effect of income not taxable for tax purpose	**(44)**	(120)
Tax effect of expenses not deductible for tax purpose	**3,934**	814
Tax effect of tax losses not recognised	**–**	2,115
Tax effect of temporary differences not recognised	**–**	(11)
Income tax expense for the year	**–**	–

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2020 HK$'000	2019 HK$'000
Auditor's remuneration		
– Audit services	**400**	400
– Other services	**160**	118
	560	518
Depreciation of right-of-use asset	**381**	381
Depreciation of property, plant and equipment	**58**	63
Write-off of trade receivable	**2,070**	4,561
Write-off of loan and interest receivables	**879**	–
Write-off of other receivables	**1,588**	714
Write-down of inventories	**223**	452
Exchange loss	**98**	126
Staff costs (including directors' emoluments) (Note 14)	**3,111**	3,715

14. EMPLOYEES' EMOLUMENTS (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – NOTE 15)

	2020 HK$'000	2019 HK$'000
Salaries, bonuses and allowances	3,014	3,604
Contributions to retirement benefits scheme	82	111
Provision for annual leave payments	15	–
	3,111	3,715

The five highest paid employees of the Group during the year included three directors (2019: three directors), details of whose emoluments are set out in Note 15 below. Details of the emoluments for the year of the remaining two (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, bonuses and allowances	1,080	1,080
Contributions to retirement benefits scheme	36	36
	1,116	1,116

The emoluments of each of the above employees were less than HK$1,000,000 during the years ended 31 December 2020 and 2019.

During the years ended 31 December 2020 and 2019, no emoluments was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the years, disclosed pursuant to the applicable Listing Rules and the CO, is as follows:

	For the year ended 31 December 2020			
	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
Executive director and chief executive				
Mr. Chan Chun Choi	600	–	–	600
Executive directors				
Ms. Lo So Wa Lucy	–	480	18	498
Mr. Chan Kingsley Chiu Yin	–	360	18	378
Sub-total	600	840	36	1,476
Independent non-executive directors				
Mr. Ip Ka Keung	100	–	–	100
Dr. Lam King Hang	100	–	–	100
Mr. Cheung Man Fu	100	–	–	100
Sub-total	300	–	–	300
Total	900	840	36	1,776

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – Continued

	For the year ended 31 December 2019			
	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
Executive director and chief executive				
Mr. Chan Chun Choi	600	–	–	600
Executive directors				
Ms. Lo So Wa Lucy	–	480	18	498
Mr. Chan Kingsley Chiu Yin	–	360	18	378
Sub-total	600	840	36	1,476
Independent non-executive directors				
Mr. Ip Ka Keung	100	–	–	100
Dr. Lam King Hang	100	–	–	100
Mr. Cheung Man Fu	100	–	–	100
Sub-total	300	–	–	300
Total	900	840	36	1,776

Notes:

(i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(iii) During the years ended 31 December 2020 and 2019, no emolument was paid by the Group to the Directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

Apart from the Directors, the Group has not classified any other person as chief executive during the years ended 31 December 2020 and 2019.

16. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

17. 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$23,484,000 (2019: HK$16,774,000) and the weighted average of 859,146,438 (2019: 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 2020 and 2019.

18. PROPERTY, PLANT AND EQUIPMENT

	Owned property HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
COST					
At 1 January 2019, 31 December 2019 and 1 January 2020	2,661	50	613	98	3,422
Written-off	–	–	–	(11)	(11)
At 31 December 2020	2,661	50	613	87	3,411
ACCUMULATED DEPRECIATION					
At 1 January 2019	1,259	19	613	93	1,984
Provided for the year	48	11	–	4	63
At 31 December 2019	1,307	30	613	97	2,047
Provided for the year	48	9	–	1	58
Written-off	–	–	–	(11)	(11)
At 31 December 2020	**1,355**	**39**	**613**	**87**	**2,094**
CARRYING VALUES					
At 31 December 2020	**1,306**	**11**	**-**	**-**	**1,317**
At 31 December 2019	1,354	20	–	1	1,375

18. PROPERTY, PLANT AND EQUIPMENT – Continued

The above items of property, plant and equipment are depreciated over their estimated useful lives and after taking into account of their estimate residual value, using the straight-line basis at the following rates per annum:

Owned property	Over the shorter of the unexpired term of lease and its estimated useful life
Leasehold improvements	Over their expected useful lives or the term of the relevant lease whichever shorter
Furniture and fixtures	20% – 30%
Office equipment	20% – 30%

During the year ended 31 December 2020, the owned property with a carrying value of approximately HK$1,306,000 (2019: HK$1,354,000) has been pledged to secure the Group's bank borrowing (Note 31).

The Directors appointed an independent qualified professional valuer, Roma, to perform a property valuation to estimate the amount of fair value less of the owned property based on prices realised on actual sales of comparable properties. The owned property was measured at fair value based on Level 2 hierarchy using the market approach. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values. Since the amount of fair value less cost of disposal of the owned property is higher than the carrying amount, no impairment loss on the owned property was recognised for the years ended 31 December 2020 and 2019.

19. RIGHT-OF-USE ASSET

	Leasehold land HK$'000
As at 31 December 2020	
Carrying amount	**10,281**
As at 31 December 2019	
Carrying amount	10,662
For the year ended 31 December 2020	
Depreciation charge	**381**
For the year ended 31 December 2019	
Depreciation charge	381

During the year ended 31 December 2020, the right-of-use asset with a carrying amount of approximately, HK$10,281,000 (2019: HK$10,662,000) has been pledged to secure the Group's bank borrowing (Note 31).

19. RIGHT-OF-USE ASSET – Continued

The Group is the registered owner of an office building, including the underlying leasehold land. Lump sum payments were made upfront to acquire property interest. The leasehold land components of this owned property are presented separately only if the payments made can be allocated reliably.

The Directors appointed an independent qualified professional valuer, Roma, to perform a property valuation to estimate the amount of fair value less of the right-of-use asset based on prices realised on actual sales of comparable properties. The right-of-use asset was measured at fair value based on Level 2 hierarchy using the market approach. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values. Since the amount of fair value less cost of disposal of the right-of-use asset is higher than the carrying amount, no impairment loss on the right-of-use asset was recognised for the years ended 31 December 2020 and 2019.

20. DEPOSIT PAID

Pursuant to the terms of the conditional sale and purchase agreement dated 7 August 2019 entered into between the Company and Mr. Chang Man Weng (the "Vendor") (as amended and supplemented by five supplemental agreements dated 16 August 2019, 5 December 2019, 5 March 2020, 25 May 2020 and 4 September 2020, respectively) (collectively the "Acquisition Agreements"), the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire share capital of Million Celebration Limited (the "Target Company") and the sale loan, representing the entire shareholder's loan advanced by the Vendor to the Target Company and Partneer Construction Limited (collectively known as the "Target Group") (hereinafter referred to as the "Proposed Acquisition") at a consideration of HK$350,000,000. The consideration shall be settled as to HK$250,000,000 in cash and HK$100,000,000 by the Company allotting and issuing new shares of HK$0.001 each to the Vendor.

The Target Company, which is a limited liability company incorporated in the British Virgin Islands and it is the holding company of a company incorporated in Hong Kong with limited liability. The Target Group is principally engaged in the provision of construction services in Hong Kong.

Upon completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the consolidated financial statements of the Target Group will be consolidated into the financial statements of the Group.

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, as the Proposed Acquisition constitutes a very substantial acquisition and a reverse takeover involving a new listing application of the Company under the Listing Rules. On 9 September 2020, the Company has submitted the new listing application to the Stock Exchange.

As at 31 December 2020, a refundable deposit of HK$600,000 has been paid.

As at the date of the issuance of this report, the Proposed Acquisition has not been completed and is subject to fulfillment of certain terms and conditions.

21. INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture is as follows:

	2020 HK$'000	2019 HK$'000
Cost of investment in an unlisted joint venture in Hong Kong	**500**	500
Share of post-acquisition loss and other comprehensive expense, net of dividends received	**(2)**	(1)
	498	499

Pursuant to a joint venture agreement entered into between a wholly-owned subsidiary of the Company and an independent third party in relation to the establishment of a joint venture company, Victory Investment Holdings Limited, the Group contributed HK$510,000 to Victory Investment Holdings Limited, which represented 51% of the equity interests in Victory Investment Holdings Limited. However, as the Group only has joint control over the composition of the board of directors of Victory Investment Holdings Limited, the Directors are of the opinion that Victory Investment Holdings Limited is therefore classified as a joint venture of the Group.

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Place of Incorporation and principal place of business	Proportion of ownership interests held by the Group		Proportion of voting rights held by the Group		Principal activities
		2020	2019	2020	2019	
Victory Investment Holdings Limited	Hong Kong	**51%**	51%	**50%**	50%	Trading of motor vehicles

21. INTEREST IN A JOINT VENTURE – Continued

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Victory Investment Holdings Limited

	2020 HK$'000	2019 HK$'000
Current assets	**978**	979
The above amounts of assets include the following:		
Cash and cash equivalents	**30**	979
Revenue	**–**	–
Loss and total comprehensive expenses for the year	**(1)**	(2)
Dividends received from Victory Investment Holdings Limited during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Victory Investment Holdings Limited recognised in the consolidated financial statements:

	2020 HK$'000	2019 HK$'000
Net assets of Victory Investment Holdings Limited	**978**	979
Proportion of the Group's ownership interest in Victory Investment Holdings Limited	**51%**	51%
Carrying amount of the Group's interest in Victory Investment Holdings Limited	**498**	499

22. INVENTORIES

	2020 HK$'000	2019 HK$'000
Right-hand-drive motor vehicles	2,277	2,500

23. TRADE RECEIVABLE

	2020 HK$'000	2019 HK$'000
Trade receivable		
– contracts with customers	–	4,418
Less: Allowance of credit losses	–	(2,148)
Total trade receivable	–	2,270

As at 1 January 2019, trade receivable from contracts with customers amounted to approximately HK$9,386,000 (net of allowance of credit losses of approximately HK$2,873,000).

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

	2020 HK$'000	2019 HK$'000
Over 365 days	–	2,270

As at 31 December 2019, the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$2,270,000 which are past due as at the reporting date and which has been past due 90 days or more and is not considered as in default as the Group has considered the historical payments record of the customer and assessed the forward looking information including the ongoing correspondence and future settlement plan with the customer. The Group does not hold any collateral over these balances.

For the year ended 31 December 2020, the Group wrote-off trade balance with gross carrying amount of approximately HK$4,218,000 with allowance of credit losses of approximately HK$2,148,000 which has been over two years past due (2019: gross carrying amount of approximately HK$4,561,000). As at 31 December 2020, the amount outstanding on trade receivable that were written off and are still subject to enforcement action amounted to approximately HK$8,779,000 (2019: HK$4,561,000).

Details of impairment assessment of trade receivable are set out in Note 6(b).

24. LOAN AND INTEREST RECEIVABLES

	2020 HK$'000	2019 HK$'000
Unsecured variable-rate loan and interest receivables	–	1,341
Less: Allowance of credit losses	–	(462)
	–	879
Analysed as:		
Current	–	879

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

For the year ended 31 December 2020, the Group wrote-off loan and interest receivables with gross carrying amount of approximately HK$1,341,000 with allowance of credit losses of approximately HK$462,000 (2019: Nil), which there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

As at 31 December 2020, the amount outstanding on loan and interest receivable that were written-off and are still subject to enforcement action amounted to approximately HK$1,341,000 (2019: Nil).

Loan receivables comprise:

	Maturity date	Collateral	Effective interest rate	Carrying amount 2020 HK$'000	Carrying amount 2019 HK$'000
HK$1,500,000 variable-rate loan receivable	9 February 2019	Property at Hong Kong*	Prime + 25%	–	879

* The loan receivable is secured as fourth-mortgage, therefore it is considered as unsecured.

The loan and interest receivables are denominated in HK$.

Details of impairment assessment of loan and interest receivables are set out in Note 6(b).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Other receivables	**3**	2,426
Deposits	**56**	87
Other prepayments	**54**	51
	113	2,564
Less: Allowance of credit losses	**–**	(835)
Total prepayments, deposits and other receivables	**113**	1,729

For the year ended 31 December 2020, the Group wrote-off an other receivable with gross carrying amount of approximately HK$2,423,000 with allowance of credit losses of approximately HK$835,000 (2019: Nil) which has been over two years past due and the Group has no realistic prospect of recovery. As at 31 December 2020, the amount outstanding on other receivable that were written off and are still subject to enforcement action amounted to approximately HK$2,423,000 (2019: HK$Nil).

Details of impairment assessment of other receivables are set out in Note 6(b).

26. BANK BALANCES AND CASH/BANK OVERDRAFTS

Cash at banks earn interest at floating rates based on daily bank deposits rates and bank overdrafts generate interest expenses at 0.5% per annum over Prime or 3.5% per annum over HIBOR, whichever is higher, payable monthly in arrears.

27. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Accruals	**4,875**	4,054
Other payables	**187**	187
	5,062	4,241

As at 31 December 2020, included in accruals, there was accrued directors' remuneration of approximately HK$1,765,000 (2019: HK$418,000) payables to the Directors.

28. CONTRACT LIABILITIES

As at 31 December 2020 and 2019, the Group has no contract liabilities.

As at 1 January 2019, contract liabilities amounted to HK$1,095,000. During the year ended 31 December 2019, the Group and the customer have mutually agreed to off-set the contract liabilities of HK$1,095,000 against the trade receivable due from that customer.

29. AMOUNT DUE TO A DIRECTOR/A JOINT VENTURE

The amount due to a director/a joint venture is unsecured, non-interest bearing and repayable on demand.

30. LOAN FROM A SHAREHOLDER/A DIRECTOR

As at 31 December 2020, the loan from Mr. Chan Chun Choi, who is a shareholder and an executive director of the Company, is unsecured, repayable within one year and bears interest at 14.5% per annum. The loan from a shareholder is denominated in HK$.

As at 31 December 2020, the loan from Ms. Lo So Wa Lucy, who is an executive director of the Company, is unsecured, repayable within one year and bears interest at 11% per annum. The loan from a director is denominated in RMB.

31. BANK BORROWING

	2020	2019
	HK$'000	HK$'000
Secured borrowing – repayable within one year	**18,500**	18,000

As at 31 December 2020 and 31 December 2019, the bank borrowing is secured by a mortgage over the Group's owned building and right-of-use asset (Notes 18 and 19) and personal guarantee to be executed by the executive directors, Mr. Chan Chun Choi and Mr. Chan Kingsley Chiu Yiu. The bank borrowing bears interest at HIBOR (1 month) + 3.25% per annum (2019: HIBOR (1 month) +3.25% per annum). The bank borrowing is denominated in HK$.

32. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of approximately HK$238,626,000 (2019: HK$238,626,000) available for offset against future profits. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams of the Group. The tax losses can be carried forward indefinitely. At the end of the reporting period, the Group has deductible temporary difference of HK$68,000 (2019: HK$68,000). No deferred tax has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

33. SHARE CAPITAL

	Par value per share HK$	Number of shares	Amount HK$'000
Authorised:			
At 31 December 2019 and **31 December 2020**	**0.001**	**152,055,864,000**	**152,056**
Issued and fully paid:			
At 31 December 2019 and **31 December 2020**	0.001	859,146,438	859

34. SHARE OPTION SCHEME

Pursuant to resolutions passed at the annual general meeting of the shareholders held on 26 May 2014, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group; and attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

Under the terms of the Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Share Option Scheme including (i) directors, employees, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficiary owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate, to subscribe for shares in the Company at a price determined by the Board, and will not be less than the highest of (i) the nominal value of a share on the date of grant; (ii) the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date of grant; and (iii) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day.

The number of shares in respect of which options may be granted under the Share Option Scheme shall not, in aggregate, exceed 10% of the shares of the Company in issue as at the date of listing of the shares unless approved by the Company's shareholders.

34. SHARE OPTION SCHEME – Continued

Options granted to a substantial shareholder of the Company or an independent non-executive director or any their respective associates would result in the total number of the shares issued and to be issued upon exercise of the options granted and to be granted to such person in any 12-month period up to and including the date of the grant representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000 must be approved by the Company's shareholders.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 26 May 2014, unless otherwise cancelled or amended.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No share option was granted under the Share Option Scheme since it has been adopted on 26 May 2014.

35. MATERIAL RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are disclosed in Notes 11, 29 and 30 and to the consolidated financial statements.

Key management personnel compensation

The key management personnel of the Group comprises all the Directors, details of their emolument are disclosed in Note 15 to the consolidated financial statements. The emolument of the Directors is determined by the remuneration committee having regard to the performance of individual and market trends.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt which includes bank borrowing, bank overdrafts and amount due to a director/a joint venture, loan from a shareholder/a director, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or to apply long term bank borrowing if necessary.

37. DISPOSAL OF INTEREST IN SUBSIDIARIES

On 3 September 2020 and 4 September 2020, the Group disposed of the entire issued share capital of its indirect wholly-owned subsidiaries, namely Victory Realty Limited, Victory H-Tech Company Limited,華利亞科技(深圳)有限公司, Express Luck Limited and AC Cars World Limited, and its 66.99% of the entire issued share capital of its direct non-wholly owned subsidiary, namely Victory Credit Service Limited, to independent third parties at an aggregated cash consideration of HK$6.

Those subsidiaries were inactive. The carrying amount of the assets and liabilities over which control was lost is HK$Nil.

	HK$'000
Cash received	–*
Net asset disposed of	–*
Gain on disposal	–*
Net cash inflow arising on disposal:	
Cash consideration received	–*

* Amount less than HK$1,000

38. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	
Victory Group (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary	HK$100,000	**100%**	100%	**-**	–	**100%**	100%	**-**	–	Investment holding
Victory Motors Centre Limited	Hong Kong	Ordinary	HK$1,000	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Investment holding and trading in motor vehicles
		Non-voting deferred	HK$3,000,000									
Victory Realty Limited	Hong Kong	Ordinary	HK$10,000	**-**	–	**(Note)**	100%	**-**	–	**-**	100%	Inactive
Hong Kong Waho Development Limited	Hong Kong	Ordinary	HK$1,000,000	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Property holding
Victory Capital Holdings Limited	Hong Kong	Ordinary	HK$2	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Money lending
Victory H-Tech Company Limited	Hong Kong	Ordinary	HK$100,000	**-**	–	**(Note)**	100%	**-**	–	**-**	100%	Inactive
華利亞科技(深圳)有限公司#	PRC	Paid up registered capital	HK$10,000,000	**-**	–	**(Note)**	100%	**-**	–	**-**	100%	Inactive
Victory Credit Service Limited	Hong Kong	Ordinary	HK$10,000	**(Note)**	67%	**-**	–	**(Note)**	67%	**-**	–	Inactive

38. PARTICULARS OF SUBSIDIARIES – Continued

Name of subsidiary	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	
Wakit Motors Limited	Hong Kong	Ordinary	HK$100,000	**-**	–	**60%**	60%	**-**	–	**60%**	60%	Trading in motor vehicles
Jumbo Chance	British Virgin Islands/ Hong Kong	Ordinary	US$1	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Investment holding
Sky Dragon (China) Trading Limited	Hong Kong	Ordinary	HK$10,000	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Trading and distribution of second hand left-hand-drive motor vehicles
Express Luck Limited	Hong Kong	Ordinary	HK$10,000	**-**	–	**(Note)**	100%	**-**	–	**-**	100%	Inactive
AC Cars World Limited	Hong Kong	Ordinary	HK$10,000	**-**	–	**(Note)**	100%	**-**	–	**-**	100%	Inactive

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

Wholly foreign owned enterprise established in the PRC.

Note: It was disposed of during the year ended 31 December 2020. Details are set out in Note 37.

38. PARTICULARS OF SUBSIDIARIES – Continued

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Wakit Motors Limited	Hong Kong	**40%**	40%	**(90)**	(181)	**(1,919)**	(1,829)
Individually immaterial subsidiary with non-controlling interest				**-**	–	**2**	2
				(90)	(181)	**(1,917)**	(1,827)

38. PARTICULARS OF SUBSIDIARIES – Continued

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

Wakit Motors Limited

	2020 HK$'000	2019 HK$'000
Current assets	**2,277**	2,500
Current liabilities	**(7,075)**	(7,073)
Equity attributable to owners of the Company	**(2,879)**	(2,744)
Non-controlling interests	**(1,919)**	(1,829)
Revenue	**–**	–
Expenses	**(225)**	(453)
Loss and total comprehensive expenses attributable to owners of the Company	**(135)**	(272)
Loss and total comprehensive expenses attributable to non-controlling interests	**(90)**	(181)
Loss and total comprehensive expenses for the year	**(225)**	(453)
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(2)**	(83)
Net cash outflow from investing activities	**–**	–
Net cash outflow from financing activities	**2**	–
Net cash outflow	**–**	(83)

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to a joint venture HK$'000	Loan from a shareholder HK$'000	Loan from a director HK$'000	Bank borrowing HK$'000	Interest payable (included in accruals) HK$'000	Total HK$'000
At 1 January 2019	–	–	–	15,500	–	15,500
Changes from cash flows:						
New bank borrowing	–	–	–	2,500	–	2,500
Interest paid	–	–	–	–	(839)	(839)
	–	–	–	2,500	(839)	1,661
Non-cash changes:						
Interest expenses *(Note 11)*	–	–	–	–	839	839
At 31 December 2019	–	–	–	18,000	–	18,000
Changes from cash flows:						
Advance from a joint venture	498	–	–	–	–	498
Loan from a shareholder	–	15,000	–	–	–	15,000
Loan from a director	–	–	1,500	–	–	1,500
New bank borrowing	–	–	–	500	–	500
Interest paid	–	–	–	–	(1,594)	(1,594)
	498	15,000	1,500	500	(1,594)	15,904
Non-cash changes:						
Foreign exchange movement	–	–	98	–	–	98
Interest expenses *(Note 11)*	–	–	–	–	1,683	1,683
	–	–	98	–	1,683	1,781
At 31 December 2020	**498**	**15,000**	**1,598**	**18,500**	**89**	**35,685**

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		–	1
Interests in subsidiaries		–	8,831
Deposit paid		600	–
		600	8,832
CURRENT ASSETS			
Prepayments and deposits paid		64	87
Bank balances and cash		61	7
		125	94
CURRENT LIABILITIES			
Other payables and accruals		3,744	2,933
Amounts due to subsidiaries		–	38,616
Amount due to a director		416	2
Loan from a shareholder		15,000	–
Loan from a director		1,598	–
Bank overdrafts		–	44
		20,758	41,595
NET CURRENT LIABILITIES		(20,633)	(41,501)
TOTAL ASSETS LESS CURRENT LIABILITIES		(20,033)	(32,669)
CAPITAL AND RESERVES			
Share capital		859	859
Reserves	a	(20,892)	(33,528)
TOTAL DEFICIT		(20,033)	(32,669)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 31 March 2021 and are signed on its behalf by:

Chan Chun Choi *DIRECTOR*	**Lo So Wa Lucy** *DIRECTOR*

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – Continued

Note:

(a) Reserves

	Share premium HK$'000	Contributed surplus HK$'000 *(Note)*	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	158,099	64,809	(240,549)	(17,641)
Loss and total comprehensive expense for the year	–	–	(15,887)	(15,887)
At 31 December 2019	158,099	64,809	(256,436)	(33,528)
Profit and total comprehensive income for the year	–	–	12,636	12,636
At 31 December 2020	**158,099**	**64,809**	**(243,800)**	**(20,892)**

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

41. CAPITAL COMMITMENT

	2020 HK$'000	2019 HK$'000
Contracted for but not provided in the consolidated financial statements:		
Capital expenditure in respect of the acquisition of a subsidiary *(Note 20)*	**349,400**	350,000

42. EVENT AFTER THE REPORTING PERIOD

As disclosed in Note 20 to the consolidated financial statements, the Proposed Acquisition constitutes a very substantial acquisition and a reverse takeover involving a new listing application of the Company under the Listing Rules and the Company has submitted the new listing application to the Stock Exchange on 9 September 2020.

On 9 March 2021, the notice of lapse of the listing application was issued by the Stock Exchange. The Company is in the course of liaising with the professional parties to reactivate the listing application pursuant to Rule 9.03(1) of the Listing Rules.

Details and status of the resumption were disclosed in the announcements of the Company dated 12 July 2019, 8 August 2019, 14 August 2019, 19 August 2019, 4 November 2019, 4 February 2020, 14 February 2020, 29 April 2020, 29 May 2020, 19 June 2020, 20 July 2020, 4 August 2020, 20 August 2020, 14 September 2020, 16 October 2020, 22 October 2020, 2 November 2020, 11 December 2020, 12 January 2021, 1 February 2021, 11 February 2021, 3 March 2021 and 10 March 2021.

Summary Financial Information

RESULTS

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**–**	423	18,957	33,418	4,902
Loss before tax	**(23,574)**	(16,955)	(15,939)	(10,813)	(12,866)
Income tax (expense) credit	**–**	–	(49)	20	(28)
Loss and total comprehensive expense for the year	**(23,574)**	(16,955)	(15,988)	(10,793)	(12,894)
Loss and total comprehensive expense attributable to					
Owners of the Company	**(23,484)**	(16,774)	(16,015)	(10,482)	(12,177)
Non-controlling interest	**(90)**	(181)	27	(311)	(717)
	(23,574)	(16,955)	(15,988)	(10,793)	(12,894)

ASSETS AND LIABILITIES

	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**12,696**	12,536	12,600	13,045	14,903
Current assets	**2,455**	7,392	19,996	35,354	41,678
Current liabilities	**(41,793)**	(22,996)	(18,709)	(18,524)	(15,913)
Net current (liabilities) assets	**(39,338)**	(15,604)	1,287	16,830	25,765
Total assets less current liabilities	**(26,642)**	(3,068)	13,887	29,875	40,668
Non-current liabilities	**–**	–	–	–	–
Net (liabilities) assets	**(26,642)**	(3,068)	13,887	29,875	40,668