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VICTORY GROUP LIMITED

華多利集團有限公司

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

JOINT VENTURE WITH FOUNTAIN TECHNOLOGIES, INC.

The Board wishes to announce that on 1st February 2000, Victory H-Tech, a wholly owned subsidiary of the Company, entered into a legally binding Letter of Intent with Fountain in connection with the Joint Venture for the establishment of the PRC Co. for the purpose of setting up a manufacturing plant in the Kwangtung Province of the PRC for the manufacturing and sale of computer system, network and internet products.

The principal terms of the Letter of Intent are described in this announcement.

The Joint Venture constitutes a discloseable transaction for the Company under the Listing Rules. This is a preliminary announcement of the Joint Venture. At the time Victory H-Tech and Fountain enter into the formal JV Agreement, a further announcement will be made and a circular will be sent to the shareholders of the Company.

At the request of the Company, trading in the Shares has been suspended from 10:00a.m. on 31st January 2000 pending the release of the announcement dated 31st January 2000 in relation to a proposed bonus issue

of warrants and remain suspended on 1st February 2000 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 10:00 a.m. on 2nd February 2000.

1. The Letter of Intent

Parties and date:

The Company and Fountain. The Letter of Intent is dated 1st February 2000.

Establishment of JV Co.:

Victory H-Tech and Fountain Subsid will form the JV Co., with Victory H-Tech holding 20% interest and Fountain Subsid holding 80% interest in the JV Co., for the purpose of setting up the PRC Co.. Victory H-Tech and Fountain Subsid agree to contribute up to an aggregate amount of HK\$80 million, being non-refundable capital contribution, for the establishment and operation of the PRC Co. in the proportion of their respective shareholdings in the JV Co., in a manner to be agreed by the parties. Accordingly, Victory H-Tech will contribute up to HK\$16,000,000 and Fountain Subsid will contribute up to HK\$64,000,000 towards the Joint Venture.

The board of the JV Co. will consist of 5 directors of which 2 will be nominated by Victory H-Tech and 3 will be nominated by Fountain Subsid.

The Company will be using its own resources for the financing of its share of capital contribution in the Joint Venture.

Establishment of PRC Co.:

The JV Co. shall set up the PRC Co. for the purpose of setting up a manufacturing plant of approximately 30,000 sq.m. for the manufacturing and sale of the Products. Neither the JV Co. nor the PRC Co. has made any commitment or contribution towards the setting up of the said manufacturing plant. The PRC Co. expects to sell 30% of the Products to the domestic market and the remaining 70% to overseas market.

The board of the PRC Co. will consist of 5 directors of which 2 will be nominated by Victory H-Tech and 3 will be nominated by Fountain Subsid.

The JV Agreement

The parties agree under the Letter of Intent to proceed to negotiate in good faith and to enter into the JV Agreement within 60 days from the date of the Letter of Intent, or at such later date as the parties shall agree.

2. Information on Fountain

Fountain's main business activities in the design, manufacturing and distribution of computer system and network and internet products in the United States of America and the PRC. Fountain is an independent third party not associated and not connected with any directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

3. Reasons for and benefits of the Joint Venture

The Board has identified the potential of the computer and internet products in the PRC and overseas markets. After careful consideration and analysis of market information, products prospects and required technology, the Board decided to enter into the Joint Venture with Fountain through Victory H-Tech.

JV Co. aims to capture the development, manufacture and sale of the Products. In recognition of the proven continuing strong demand for the Products in the coming decades, the Board is confident that JV Co. will bring the Company sales turnover and stable recurrent income.

4. General

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are marketing and wholesale distribution of left-hand drive motor vehicles. The Board considers that the Joint Venture enables the Company to diversify into the technology related business and enables the Company to increase its earnings, which

the Directors consider is in the interest of the shareholders of the Company.

The Letter of Intent was entered into on an arm's length basis after due negotiation between the Company and Fountain. The Directors are of the view that the Joint Venture will complement the Company's existing business and enable the Company to further broaden its scope of business in Hong Kong, the People's Republic of China and the United States of America.

The transaction contemplated under the Letter of Intent constitutes a discloseable transaction for the Company under the Listing Rules. This is a preliminary announcement of the Joint Venture. At the time Victory H-Tech and Fountain enter into the formal JV Agreement, a further announcement will be made and a circular will be sent to the shareholders of the Company.

Save the aforesaid, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, neither is the Board aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

At the request of the Company, trading in the Shares has been suspended from 10:00a.m. on 31st January 2000 pending the release of the announcement dated 31st January 2000 in relation to a proposed bonus issue of warrants and remain suspended on 1st February 2000 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 10:00 a.m. on 2nd February 2000.

This announcement is made by the order of the Board of Directors of the Company who individually and jointly accept responsibility for the accuracy of this announcement.

5. Definitions

In this announcement, the expressions below have the following meanings

assigned:

"Board" the board of Directors of the Company

"Company" Victory Group Limited, a company incorporated in the Bermuda, the shares of which are listed and traded on the Stock Exchange

"Fountain" Fountain Technologies, Inc., a company incorporated in the United States of America

"Fountain Subsid" a wholly-owned subsidiary of Fountain to be incorporated in the British Virgin Islands for the purpose of entering into the Joint Venture

"Directors" the directors, including the independent non-executive directors of the Company

"Joint Venture" the joint venture between Victory H-Tech and Fountain Subsid for the establishment of the JV Co. and the PRC Co. as described in this announcement

"JV Agreement" the agreement in connection with the Joint Venture to be entered into between Victory H-Tech and Fountain Subsid pursuant to the Letter of Intent

"JV Co." a company to be incorporated in the British Virgin Islands by Victory H-Tech and Fountain Subsid, whose name is yet to be determined by the parties

"Letter of Intent" the letter of intent dated 1st February 2000 entered into between Victory H-Tech and Fountain as described in this announcement

"Listing Rules" the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"PRC" the People's Republic of China

"PRC Co." a wholly foreign owned enterprise in the PRC to be

established by the JV Co. pursuant to the JV Agreement, whose name is yet to be determined by Victory H-Tech and Fountain

"Products" computer system, network and Internet products

"Share" shares of HK\$0.10 each in the share capital of the Company

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"Victory H-Tech" Victory H-Tech Company Limited, a company
incorporated in Hong Kong, being a wholly-owned subsidiary of the Company

By Order of the Board,
Chan Chun Choi,
Chairman

Hong Kong, 1st February 2000