

# VICTORY GROUP LIMITED

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## VICTORY GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

### **Proposed Capital Reorganisation, involving Reduction of Issued Share Capital, Adjustment of Nominal Value of Shares and Cancellation of Accumulated Loss, Price Fluctuation and Increase in Trade Volume**

The Directors have noted the recent fluctuation in the price and increase in trade volume of the Shares and wish to state that they are not aware of any reasons for such price fluctuation and increase in trade volume.

The Board proposes to effect the Proposed Capital Reorganisation pursuant to which

- (i) the nominal value of each issued Share will be reduced from HK\$0.02 to HK\$0.01 by the cancellation of HK\$0.01 of the paid up capital on each issued Share;**
- (ii) the existing authorised and unissued share capital of the Company will be cancelled and the authorised share capital of the Company will be subsequently increased to HK\$50,000,000 by the creation of 3,529,256,000 new Adjusted Shares (on the basis of 1,470,744,000 Adjusted Shares in issue on the date the Proposed Capital Reorganisation becomes effective); and**

**(iii) a credit in the sum of HK\$14,707,440 arising from the Proposed Capital Reduction will be applied towards setting off part of the accumulated loss of the Company as at 31 December 2000.**

The Proposed Capital Reorganisation is subject to the conditions set out below. A circular containing details of the Proposed Capital Reorganisation, arrangement for the free exchange of certificates for the Adjusted Shares upon the Capital Reorganisation becoming effective and a notice convening the SGM to approve the Proposed Capital Reorganisation will be dispatched to the Shareholders as soon as possible.

Further announcement will be made upon the Proposed Capital Reorganisation becoming effective.

## **THE PROPOSED CAPITAL REORGANISATION**

The Board proposes to effect the Proposed Capital Reorganisation pursuant to which

- (i) the nominal value of each issued Share will be reduced from HK\$0.02 to HK\$0.01 by the cancellation of HK\$0.01 of the paid up capital on each issued Share;**
- (ii) the existing authorised and unissued share capital of the Company in the sum of HK\$20,585,120 will be cancelled and the authorised share capital of the Company will be subsequently increased to HK\$50,000,000 by the creation of 3,529,256,000 new Adjusted Shares (on the basis of 1,470,744,000 Adjusted Shares in issue on the date the Proposed Capital Reorganisation becomes effective); and**
- (iii) a credit in the sum of HK\$14,707,440 arising from the Capital Reduction, on the basis of 1,470,744,000 Shares in issue, will be applied towards setting off part of the accumulated loss of the Company as at 31 December 2000.**

## **EFFECT OF THE PROPOSED CAPITAL REORGANISATION**

As at the date hereof, the existing authorised share capital of the Company is HK\$50,000,000 divided into 2,500,000,000 Shares, of which 1,470,744,000 Shares have been issued and are fully paid. The issued and paid up capital of the Company will be reduced from HK\$29,414,880 to

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HK\$14,707,440. On the basis of 1,470,744,000 Shares in issue, a credit in the sum of HK\$14,707,440 arising from the Capital Reduction, will be applied towards setting off part of the accumulated loss of the Company as at 31 December 2000. The authorised and unissued share capital of the Company will be cancelled and the authorised share capital of the Company will be subsequently increased to HK\$50,000,000 by the creation of 3,529,256,000 new Adjusted Shares (on the basis of 1,470,744,000 Adjusted Shares in issue on the date the Proposed Capital Reorganisation becomes effective).

Immediately after the Proposed Capital Reorganisation becomes effective, the authorised share capital of the Company will be HK\$50,000,000 divided into 5,000,000,000 Adjusted Shares of HK\$0.01 each, of which HK\$14,707,440 divided into 1,470,744,000 Adjusted Shares will be in issue and credited as fully paid.

Other than the expenses incurred relating to the Proposed Capital Reorganisation, implementation of the Proposed Capital Reorganisation will not, of itself, alter the underlying assets, business operation, management of the financial position of the Company or the interest of the Shares. The Board believes that the Proposed Capital Reorganisation will not have a material adverse effect on the financial position of the Company and its subsidiaries and is in the interest of the Company and the Shareholders. The Board will therefore recommend the Proposed Capital Reorganisation for the Shareholders' approval at the SGM.

## **REASON FOR THE PROPOSED CAPITAL REORGANISATION**

The closing price on the Stock Exchange of the Shares on the date of this announcement was HK\$0.026 per share. The Shares have traded within the range of HK\$0.014 to HK\$0.101 over the last six months and have at times traded below their nominal value of HK\$0.02, with the lowest trading price at HK\$0.014 in 30 March 2001. The nominal value of the existing Shares is HK\$0.02 each. Under Bermuda law, a company may not issue shares at a discount to the nominal value of such shares. With a view to facilitating any capital raising when circumstances arise in future, the Board put forward the Proposed Capital Reorganisation which allows flexibility for the issue of new shares in future if the Board considers appropriate. However, the Board has no present intention to issue new shares. Upon the Proposed Capital Reorganisation becoming effective, the nominal value of each share of the Company will be reduced from HK\$0.02 to HK\$0.01.

## **CONDITIONS OF THE PROPOSED CAPITAL REORGANISATION**

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The Proposed Capital Reorganisation is conditional upon, inter alia:

- (i) the passing of relevant resolutions by the Shareholders to approve the Proposed Capital Reorganisation at a SGM to be convened by the Company;
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Adjusted Shares; and
- (iii) the publication of a notice of reduction of the issued share capital of the Company in Bermuda.

## GENERAL

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares.

A circular of the Company containing details of the Proposed Capital Reorganisation and a notice convening the SGM to approve the Proposed Capital Reorganisation will be posted to the Shareholders as soon as practicable.

## PRICE FLUCTUATION AND INCREASE IN TRADE VOLUME

The Directors have noted the recent fluctuation in the price and increase in trade volume of the Shares and wish to state that they are not aware of any reasons for such price fluctuation and increase in trade volume.

The Directors also confirm that, save for the Proposed Capital Reorganisation, 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.

## DEFINITIONS

``Adjusted Share(s)''	share(s) with nominal value of HK\$0.01 each in the capital of the Company after the Proposed Capital Reorganisation becoming effective;
``Board''	the board of directors of the Company;
``Capital Reduction''	the proposal to reduce the nominal value of the Shares of HK\$0.02 each in the capital of the Company to HK\$0.01 each by cancellation of HK\$0.01

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	paid up capital on each issued Share;
``Company"	Victory Group Limited, a company incorporated in Bermuda, whose securities are traded on the Stock Exchange;
``HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
``Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China;
``Proposed Reorganisation"	Capital the Capital Reduction, the cancellation of the authorised and unissued share capital of the Company and the subsequent increase of the share capital to HK\$50,000,000 and setting off part of the accumulated loss of the Company with the credit arising from the Capital Reduction;
``SGM"	the special general meeting to be convened by the Company to consider and if thought fit to pass relevant resolutions regarding the Proposed Capital Reorganisation;
``Share(s)"	share(s) with nominal value of HK\$0.02 each in the capital of the Company;
``Shareholder(s)"	holder(s) of the Shares; and
``Stock Exchange"	The Stock Exchange of Hong Kong Limited.

By Order of the Board  
**Ben Leung**  
*Company Secretary*

Hong Kong, 24 May 2001

*Please also refer to the published version of this announcement in the (Hong Kong iMail)*