

# VICTORY GROUP LIMITED

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## VICTORY GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

### **Proposed Capital Reorganisation, involving Share Consolidation, Reduction of Issued Share Capital, Subdivision of Authorised and Unissued Consolidated Shares, Cancellation of Accumulated Loss, Increases in Price and Trade Volume**

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

The Board announced on 25 May 2001 a proposal for capital reorganisation involving reduction of issued share capital, adjustment of nominal value of shares and cancellation of accumulated loss. The Board further proposes to revise the proposal for capital reorganisation as set out below.

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

- (i) every 10 issued Shares and every 10 authorised and unissued Shares will be consolidated into 1 Consolidated Share;**
- (ii) the nominal value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01 by the cancellation of HK\$0.19 of the paid up capital on each issued Consolidated**

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**Share so that the issued share capital of the Company will be reduced from an amount of HK\$29,414,880 to HK\$1,470,744;**

**(iii) every authorised and unissued Consolidated Share will be subdivided into 20 Adjusted Shares; and**

**(iv) a credit in the sum of HK\$27,944,136 arising from the Proposed Capital Reduction will be transferred to the contributed surplus account of the Company and 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**

Further to the announcement on 25 May 2001, the Board proposes to revise the Proposed Capital Reorganisation as follows:

**(i) every 10 issued Shares and every 10 authorised and unissued Shares will be consolidated into 1 Consolidated Share;**

**(ii) the nominal value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01 by the cancellation of HK\$0.19 of the paid up capital on each issued Consolidated Share so that the issued share capital of the Company will be reduced from an amount of HK\$29,414,880 to HK\$1,470,744 upon completion of the Share Consolidation and Capital Reduction;**

**(iii) every authorised and unissued Consolidated Share will be subdivided into 20 Adjusted Shares; and**

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(iv) a credit in the sum of HK\$27,944,136 arising from the Capital Reduction, on the basis of 1,470,744,000 Shares in issue, will be transferred to the contributed surplus account of the Company and applied towards setting off part of the accumulated loss of the Company as at 31 December 2000.

The number of Adjusted Shares constituting a board lot after the Capital Reorganisation will be changed to 8,000. Any fractional entitlements to the Adjusted Shares will be aggregated and sold and retained for the benefit of the Company. In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares as a result of the Capital Reorganisation, the Company has agreed to procure Hing Wong Securities Limited to stand in the market to provide matching services for the odd lots of Adjusted Shares on a best effort basis during the period from 9 August 2001 to 30 August 2001 (both date inclusive). Further details of the odd lots arrangement will be contained in the circular to be dispatched to the Shareholders.

### **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 HK\$1,470,744 upon completion of the Share Consolidation and Capital Reduction. On the basis of 1,470,744,000 Shares in issue, a credit in the sum of HK\$27,944,136 arising from the Capital Reduction will be applied towards setting off part of the accumulated loss of the Company as at 31 December 2000.

Immediately after the Proposed Capital Reorganisation becomes effective, the authorised share capital of the Company will be HK\$22,055,864 divided into 2,205,586,400 Adjusted Shares of HK\$0.01 each, of which HK\$1,470,744 divided into 147,074,400 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**

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The closing price on the Stock Exchange of the Shares on the date of this announcement was HK\$0.034 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 on 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.

### **Conditions of the Proposed Capital Reorganisation**

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.

### **Free exchange of new share certificates and parallel trading arrangements**

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Subject to the Proposed Capital Reorganisation becoming effective, Shareholders may submit their certificates for the Shares (in orange colour to the Company's branch registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong in exchange for certificates for the Adjusted Shares (in green colour) (on the basis of one Adjusted Share for 10 Shares) free of charge at the Registrar's office during business hours from 26 July 2001 up to and including 4 September 2001. Thereafter, certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.5 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for the Adjusted Shares. Nevertheless, certificates for the existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Adjusted Shares at any time.

Further arrangements in relation to the parallel trading arrangements for the Adjusted Shares and the timetable will be announced and included in the circular.

### **Increases in Price and in Trade Volume**

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

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 becomes effective;

``Board"    the board of directors of the Company;

``Capital Reduction"    the proposal to reduce the nominal value of the Consolidated Shares of HK\$0.20 each in the capital of the Company to HK\$0.01 each by cancellation of HK\$0.19 paid up capital on each issued Consolidated Share;

``Company"    Victory Group Limited, a company incorporated in Bermuda, whose securities are traded on the Stock Exchange;

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``Consolidated Share(s)" share(s) with nominal value of HK\$0.20 each in the capital of the Company after the Share Consolidation becomes effective;

``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 Capital Reorganisation" the Share Consolidation, the Capital Reduction, the Subdivision of authorised and unissued Consolidated Shares 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 Consolidation" the proposed share consolidation whereby every 10 issued Shares and every 10 authorised and unissued Shares will be consolidated into 1 Consolidated Share;

``Subdivision of authorised and unissued Consolidated Shares" the proposed subdivision of authorised and unissued Consolidated Shares whereby every authorised and unissued Consolidated Share will be subdivided into 20 Adjusted Shares;

``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  
**Chan Chun Choi**  
Chairman

Hong Kong, 4 June 2001

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