

VICTORY GROUP LIMITED

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VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD

The Company proposes to raise about HK\$7.3 million before expenses by issuing 73,537,200 Rights Shares by way of rights at a price of HK\$0.10 per Rights Share. The Company will provisionally allot one Rights Share for every two Shares held by Qualifying Shareholders.

Eternal Victory has irrevocably undertaken to the Company and the Underwriter to take up its provisional entitlement under the Rights Issue in full. Pursuant to the Underwriting Agreement, the Rights Shares other than those Rights Shares to be accepted by Eternal Victory are fully underwritten by the Underwriter.

The last day of dealing in the Shares on a cum-rights basis is Thursday, 27 December 2001. The Shares will be dealt with on an ex-rights basis from Friday, 28 December 2001. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on register of members of the Company on the Record Date, which is currently expected to be on Tuesday, 8 January 2002. In order to be registered as members on the Record Date, any transfer of Shares (with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Wednesday, 2 January 2002 (the closing of the share register is expected to be from Thursday, 3 January 2002 to Tuesday, 8 January 2002 (both days inclusive)).

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It should be noted that the Underwriting Agreement contains provisions granting to the Underwriter the right to terminate their obligations on the occurrence of certain events including force majeure. Please refer to the paragraph headed "Termination of the Underwriting Agreement" for further details.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid form.

The net proceeds of the Rights Issue is expected to be about HK\$6 million, about HK\$4.5 million is intended to be used to reduce the borrowing of the Group and the remaining balance of about HK\$1.5 million will be used as general capital of the Group.

RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue : One Rights Share for every two existing Shares held on the Record Date

Existing issued share capital of : 147,074,400 Shares
the Company

Number of Rights Shares : 73,537,200 Rights Shares

Subscription price for the Rights Shares

HK\$0.10 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

This price of HK\$0.10 represents a discount of approximately 40.1 per cent. to the closing price of HK\$0.167 per Share as quoted on the Stock Exchange at on 18 December 2001, being the date of this announcement, a discount of approximately 41.9 per cent. to the last ten days' (up to and including 18 December 2001) average closing price of HK\$0.172 per Share as quoted on the Stock Exchange, and a premium of approximately 11 per cent. to the theoretical ex-rights price of

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HK\$0.089 per Share based on the closing price per Share on 18 December 2001. The Directors consider that the price of HK\$0.10 per Rights Share is fair and reasonable so far as the Shareholders are concerned and was determined after arm's length negotiation.

Price per Rights Share	HK\$0.10
Closing price per Share on 18 December 2001	HK\$0.167
Approximate discount to closing price per Share	40.1%
Theoretical ex-rights price per Share	HK\$0.089
Approximate premium to theoretical ex-rights price per Share	11%
Average closing price per Share for the last ten days (up to and including 18 December 2001)	HK\$0.172
Approximate discount to the average closing price per Share for the last ten days	41.9%

Status of the Rights Shares

When allotted and fully paid, the Rights Shares will rank equally with the then existing Shares and holders of such Rights Shares will receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

Qualifying Shareholders

The Company will send provisional allotment letters and forms of application for excess Rights Shares to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must:

- be registered as a member of the Company on the Record Date; and
- have as its address on the register of members of the Company on the Record Date in Hong Kong.

Rights of Excluded Shareholders

The Rights Issue Documents will not be registered under the applicable legislation of any jurisdictions other than Hong Kong and Bermuda. If on the Record Date a Shareholder's address on the Company's register of members is in a place outside Hong Kong, that Shareholder cannot take part in the Rights Issue. No provisional allotment will be made to the Excluded Shareholders. The Company will send the Prospectus to the Excluded Shareholders for their information only, but the Company will not send provisional allotment letters and forms of application for excess Rights Shares to Excluded Shareholders.

Arrangement will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the Excluded Shareholder in Hong Kong dollars. The Company will keep individual amounts of less than HK\$100.

Closure of register of members

The register of members of the Company will be closed from Thursday, 3 January 2002 to Tuesday, 8 January 2002, both days inclusive. No transfer of Shares will be registered during this period.

In order to be registered as a member on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificates) with the Company's branch share registrars in Hong Kong by 4:00 p.m. on Wednesday, 2 January 2002.

The Company's branch share registrars in Hong Kong is:

Tengis Limited
4th Floor Hutchison House
10 Harcourt Road
Central, Hong Kong

Odd lot arrangement

Pending the results of the Rights Issue, the Company may arrangement to match sale and purchase of odd lots if there exist substantial odd lots. A board lot for the Rights Shares in both their nil-paid and fully paid forms will be 8,000 Shares. Details of the odd lot arrangement will be set out in the Prospectus.

Fractions of Rights Shares

The Company will not allot fractions of Rights Shares (nil-paid and fully-paid). The Company will sell any such Rights Shares created by adding together fractions of Rights Shares, and will keep the proceeds.

Application for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements of Excluded Shareholders, any unsold Rights Shares created by adding together fractions of Rights Shares, and any Rights Shares provisionally allotted but not accepted.

Application is made by completing the form of application for excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion, but will give preference to topping-up odd lots to whole board lots.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Rights Shares in both nil-paid and fully-paid forms.

Share certificates

Certificates for all fully-paid Rights Shares are expected to be posted to subscribers who have been allotted the relevant Rights Shares by Wednesday, 30 January 2002.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date	:	18 December 2001
Underwriter	:	Hui Kai Securities Limited, which is independent of and not connected with the directors, chief executives and substantial shareholders of the Company and its subsidiaries and their respective associates
Number of Rights Shares underwritten	:	as Eternal Victory has pursuant to the Undertaking, irrevocably undertaken to take up its entitlement of 35,925,862 Rights Shares under the Rights Issue, the remaining balance of 37,611,338 Rights Shares will be fully underwritten by the Underwriter
Commission	:	the Underwriter will receive a commission in the aggregate amount of HK\$550,000

Undertaking

Eternal Victory, which is beneficially interested in 71,851,724 Shares, representing approximately 48.85 per cent. of the existing issued share capital of the Company, has pursuant to the Undertaking irrevocably undertaken to subscribe for 35,925,862 Rights Shares, being its full entitlement under the Rights Issue.

Currently, the Company has no outstanding share options issued or exercisable.

Except for the Rights Shares to be subscribed pursuant to the Undertaking, all the Rights Shares are fully underwritten by the Underwriter.

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The following is the shareholding structure of the Company before and after the Rights Issue:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders have taken up their respective entitlement under the Rights Issue)	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Eternal Victory (<i>Note</i>)	71,851,724	48.85	107,777,586	48.85
Public Shareholders	75,222,676	51.15	112,834,014	51.15

Note: The Shares are held by Eternal Victory Enterprises Inc., a company incorporated in the British Virgin Islands, as trustee of a unit trust, the units of which are held by a discretionary trust established for the family members of Chan Chun Choi, the Chairman of the Company and a Director, including Lam Mo Kuen, Anna, the Deputy Chairman of the Company and a Director. The shares of Eternal Victory Enterprises Inc. are held by Chan Chun Choi.

Termination of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement if certain events happen up to 4:00 p.m. on the second business day following the last day for acceptance of provisional allotments, being 28 January 2002, such events include if:

- (a) it comes to the notice of the Underwriter that there is any breach of the undertakings, representations and warranties contained in the Underwriting Agreement and considered by the Underwriter to be material or any event, act or omission which in the reasonable opinion of the Underwriter gives or is likely to give rise to any material liability of the Company pursuant to the provisions of the Underwriting Agreement; or any material breach of any material obligations or undertakings of the Company contained in the Underwriting Agreement;
- (b) there develops or occurs any event, or series of events, beyond the reasonable control of the Underwriter (including, without limitation, terrorist strikes, epidemic, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, public disorder, acts of war, acts of God, accident or interruption or delay in transportation);

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- (c) there develops or occurs any local, national or international event, development or change (whether or not forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) of a political, military (including any local, national or international outbreak or escalation of hostilities or armed conflicts), industrial, financial, economic, fiscal, regulatory or other nature (whether or not sui generis with any of the foregoing), resulting, or which might be expected to result, in a material adverse change in the political, economic, fiscal, financial, regulatory or stock market conditions;
- (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
- (e) there develops or occurs any material adverse change in conditions of local, national or international securities markets;
- (f) there comes into effect any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Bermuda, or the PRC or any other jurisdiction relevant to the Group as a whole;
- (g) there comes into effect a change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or the PRC or elsewhere which might materially and adversely affect the business or the financial or trading position of the Group as a whole;
- (h) there occurs the instigation of any litigation or claim of material importance by any third party against any member of the Group which might be material to the Group taken as a whole; or
- (i) there occurs any other material adverse change to any member of the Group,

which in the reasonable opinion of the Underwriter, would be materially adverse to or materially affect the Group or its prospects and/or the Rights Issue or the success thereof or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue.

If the Underwriters terminate the Underwriting Agreement, the Rights Issue will not proceed.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, amongst other things, the happening of the following events on the respective dates mentioned herein (or such other time or date as the Company and the Underwriter may agree):

- (a) the delivery to the Registrar of Companies in Bermuda one copy of the Prospectus duly signed by one director of the Company and the registration of the same not later than 8 January 2002;
- (b) the delivery to the Stock Exchange for authorization and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Rights Issue Documents duly signed by two directors of the Company (or by their agents duly authorised in writing) as having been approved by resolution of the board of directors of the Company (and all other documents required to be attached thereto) not later than 8 January 2002 and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (c) the posting of the Rights Issue Documents to Qualifying Shareholders (other than Excluded Shareholders) on 8 January 2002 and the posting of the letters to the Excluded Shareholders accompanied by a copy of the Prospectus stamped "For Information Only";
- (d) the Listing Committee granting or agreeing to grant (subject to allotment), listing of, and permission to deal in the Rights Shares, in nil-paid and fully-paid forms, in all cases prior to 10 January 2002, being the expected date of commencement of dealings in the Rights Shares in nil-paid form (or such other date as may be agreed between the Company and the Underwriter) and not having revoked such granting of listing of and permission to deal in the Rights Shares in both nil-paid and fully-paid form;
- (e) if required, the obtaining of the necessary permission of the Bermuda Monetary Authority for the issue of the Rights Shares not later than 8 January 2002;
- (f) the delivery to the Underwriter by the Company a duly executed Undertaking upon execution of the Underwriting Agreement and compliance with and performance of all the undertakings and obligations of Eternal Victory in accordance with the terms of the Undertaking;
- (g) the obligation of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Existing Shares will be dealt in on an ex-rights basis from Friday, 28 December 2001. The Rights Shares will be dealt in their nil-paid form from Thursday, 10 January 2002 to Monday, 21 January 2002, both days inclusive. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any buying or selling of the Shares from now up to the date on which all such conditions are fulfilled, and any buying or selling of nil-paid Right Shares between Thursday, 10 January 2002 and Monday, 21 January 2002 (both days inclusive), is at investors' own risk.

Investors may want to seek professional advice regarding dealings in Shares or nil-paid Rights Shares during the abovementioned periods.

REASONS FOR THE RIGHTS ISSUE AND USE OF THE PROCEEDS OF THE RIGHTS ISSUE

The principal business of the Group is the marketing and distribution of left-hand drive vehicles. As stated in the interim report of the Company for the six months ended 30 June 2001, turnover in the PRC has decreased drastically by 64.15 per cent., compare with the first six months of the financial year ended 31 December 2000. Accordingly, the Group has been operating in extremely circumstances and would require external funding to fund the plan of the Group to promote the distribution business of imported vehicles, which is part of the plan of the Group to re-develop the distribution business of the Group. During the six months ended 30 June 2001, about 72 per cent. of the Group's interest-bearing loans has been settled and thereby reducing the burden of the Group for financial costs in the future. The Directors consider that it is in the interests of the Company and the Shareholders to raise additional funds by way of the Rights Issue instead of external borrowing so as to reduce the burden of the Group on financial cost and not to increase the gearing ratio of the Group. The Directors further consider that will not only strengthen the financial position of the Group, but also allow all Shareholders (other than the Excluded Shareholders) the opportunity to participate in the growth of the Company.

The net proceeds from the Rights Issue is approximately HK\$6 million. The Company intends to

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use part of the net proceeds of about HK\$4.5 million to reduce the borrowing of the Group and the remaining balance in the amount of about HK\$1.5 million will be used as general capital of the Group.

EXPECTED TIMETABLE

Last day of dealings in Shares on cum-rights basis.....	Thursday, 27 December 2001
First day of dealings in Shares on an ex-rights basis.....	Friday, 28 December 2001
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue.....	4:00 p.m. on Wednesday, 2 January 2002
Register of members closed to determine eligibility for the Rights Issue (both days inclusive).....	Thursday, 3 January to Tuesday, 8 January 2002
Record Date.....	Tuesday, 8 January 2002
Rights Issue Documents despatched on.....	Tuesday, 8 January 2002
Register of members re-open.....	Wednesday, 9 January 2002
First day of dealing in nil-paid Rights Shares	Thursday, 10 January 2002
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Wednesday, 16 January 2002
Last day of dealing in nil-paid Rights Shares.....	Monday, 21 January 2002
Latest time for acceptance of, and payment for, Rights Shares.....	4:00 p.m. on Thursday, 24 January 2002
Rights Issue and Underwriting Agreement expected to become unconditional on or before.....	4:00 p.m. on Monday, 28 January 2002
Announcement in relation to the result of the Rights Issue published	Tuesday, 29 January 2002
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares on or before.....	Wednesday, 30 January 2002
Certificates for fully-paid Rights Shares to be despatched on or before.....	Wednesday, 30 January 2002
Dealings in fully-paid Rights Shares to commence	Friday, 1 February 2002

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DEFINITIONS

``associates"	has the meaning ascribed thereto in the Listing Rules;
``Company"	Victory Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
``Directors"	the directors of the Company, including the independent non-executive directors of the Company;
``Eternal Victory"	Eternal Victory Enterprises Inc., a company incorporated in the British Virgin Islands, as trustee of a unit trust, the units of which are held by a discretionary trust established for the family members of Chan Chun Choi, the Chairman of the Company and a Director, including Lam Mo Kuen, Anna, the Deputy Chairman of the Company and a Director. The shares of Eternal Victory Enterprises Inc. are held by Chan Chun Choi;
``Excluded Shareholder(s)"	the Shareholder(s), other than Eternal Victory, whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong where, in the Directors' opinion, Rights Shares may not be offered without compliance with registration and/or other legal or regulatory requirements;
``Group"	the Company and its subsidiaries;
``Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
``Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
``PRC"	the People's Republic of China;
``Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue;
``Qualifying Shareholder(s)"	the Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date;
``Record Date"	8 January 2002;
``Rights Issue"	the issue of the Rights Shares at a price of HK\$0.10 per Rights Share;

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``Right Issue Documents"	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares;
``Rights Shares"	73,537,200 new Shares to be issued under the Rights Issue;
``Shares"	shares of HK\$0.01 each in the capital of the Company;
``Shareholder(s)"	holder(s) of Shares;
``Stock Exchange"	The Stock Exchange of Hong Kong Limited;
``Undertaking"	the irrevocable undertaking executed by Eternal Victory to take up its provisional entitlement of 35,925,862 Rights Shares under the Rights Issue;
``Underwriter"	Hui Kai Securities Limited, a dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong);
``Underwriting Agreement"	the underwriting agreement dated 18 December 2001 and entered into between the Company and the Underwriter in relation to the Rights Issue; and
``HK\$"	Hong Kong dollars.

By order of the Board
Victory Group Limited
Chan Chun Choi
Chairman

Hong Kong SAR, 18 December 2001

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