
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Victory Group Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

A notice convening the special general meeting of the Company to be held at Suite 1609, New East Ocean Centre, No. 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 29 November 2002 at 11:00 a.m. is set out on pages 7 to 9 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

8 November 2002

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“Board”	the board of Directors
“Company”	Victory Group Limited, a company incorporated in the Bermuda with limited liability, the shares of which are currently listed on and dealt in the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	5 November 2002 being the latest practicable date for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SGM”	a special general meeting of the Company to be held at Suite 1609, New East Ocean Centre, No. 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 29 November 2002 at 11:00 a.m. to consider and, if thought fit, to approve the general mandates to issue and repurchase Shares
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	Hong Kong Codes on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Chan Chun Choi, *Chairman and Managing Director*

Lam Mo Kuen, Anna, *Deputy Chairman*

Non-executive Director:

Liu Kwok Fai Alvan

Independent non-executive Directors:

Ng Chi Shing

Yuen Kwok Wah, Bernard

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Head Office and

Principal Place of Business:

Suite 1609 New East Ocean Centre

9 Science Museum Road

Tsimshatsui East

Kowloon

Hong Kong

8 November 2002

To the Shareholders

Dear Sir or Madam

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

INTRODUCTION

The Board proposes to renew the general mandates to issue and repurchase Shares since the existing general mandate of the Company to issue Shares has been substantially utilized.

The purpose of this circular is to give you further information on the resolutions relating to the grant mandates for issue of new Shares by the Company and for the repurchase by the Company of its own Shares to be proposed at the SGM.

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE SHARES

The ordinary resolution (1) will be proposed at the SGM to revoke the existing general mandate to allot, issue and deal with Shares and to give the Directors a new general mandate to allot, issue and deal with Shares not exceeding 20 per cent. of the issued share capital of the Company at the date of passing such resolution. In addition, subject to a separate approval of the ordinary resolution (3), the number of Shares purchased by the Company under ordinary resolution (2) will also be added to the 20 per cent. general mandate as mentioned in the ordinary resolution (1).

GENERAL MANDATE TO REPURCHASE SHARES

The ordinary resolution (2) will be proposed at the SGM to revoke the general mandate to repurchase Shares granted at the annual general meeting of the Company held on 27 May 2002 and to give the Directors a new general mandate to exercise the powers of the Company to repurchase Shares up to a maximum of 10 per cent. of the issued share capital of the Company. An explanatory statement as required under the Listing Rules is set out in the Appendix to this circular.

THE SGM

A notice convening the SGM at which the relevant resolutions will be proposed to consider, and if thought fit, to approve the general mandates to issue and repurchase Shares is set out on pages 7 to 9 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch shares registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong, as soon as practicable and in any event by not later than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM should you so wish.

RECOMMENDATION

The Directors believe that the general mandates to issue and repurchase Shares are all in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that you should vote in favour of the resolutions to be proposed at the SGM.

Yours faithfully,
By order of the Board
Chan Chun Choi
Chairman

This is an explanatory statement given to all Shareholders relating to the resolution to be proposed at the SGM for the granting of the mandate for repurchase Shares. This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) and other relevant provisions of the Listing Rules which are set out below:

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$2,646,116.00 comprising 264,611,600 Shares. Subject to the passing of the relevant ordinary resolution and assuming that no further Shares are issued and that no further Shares are purchased by the Company, the Company would be allowed under the mandate to repurchase a maximum of 26,461,160 Shares.

2. REASONS FOR REPURCHASE

The Directors believe that the mandate for repurchase Shares is in the best interests of the Company and the Shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws and the laws of Bermuda.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2001 in the event that the general mandate for repurchase Shares were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the general mandate for repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest traded prices of the Shares on the Stock Exchange during each of the 12 months before the printing of this document were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
November	0.139	0.119
December	0.153	0.126
2002		
January	0.129	0.099
February	0.195	0.103
March	0.295	0.151
April	0.315	0.116
May	0.148	0.120
June	0.155	0.120
July	0.142	0.050
August	0.075	0.050
September	0.071	0.049
October	0.063	0.046

5. DISCLOSURE OF INTERESTS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the relevant resolution and in accordance with the Listing Rules and the applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the general mandate for repurchase Shares if such is approved by the Shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the general mandate for repurchase Shares approved by the Shareholders.

6. TAKEOVER CODE

If on the exercise of the power to repurchase Shares pursuant to the general mandate, a shareholder's proportionate interest in the voting rights of the Company increase, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeover Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 of the Takeover Code.

As at the Latest Practicable Date, Chan Chun Choi, Chairman and Managing Director of the Company, through Eternal Victory Enterprises Inc. 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, including Lam Mo Kuen, Anna, held on a beneficial basis 110,377,586 Shares, representing approximately 41.71 per cent. of the issued share capital of the Company. Based on such shareholding and in the event that the Directors exercised in full the power to repurchase Shares under the general mandate, the shareholding of Chan Chun Choi in the Company would be increased to 46.35 per cent. of the issued share capital of the Company and such increase would give rise to an obligation to make mandatory offer under Rule 26 of the Takeover Code. The Directors will be cautioned in exercising the general mandate for repurchase Shares and has no intention to exercise the general mandate for repurchase Shares to such extent which would result in Chan Chun Choi and parties acting in concert with him becoming obliged to make a mandatory offer.

7. SHARES PURCHASE MADE BY THE COMPANY

The Company had not purchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

NOTICE OF SGM



VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that the special general meeting of the shareholders of Victory Group Limited (the “Company”) will be held at Suite 1609, New East Ocean Centre, No. 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 29 November 2002 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

(1) “THAT:

- (a) the general mandate granted to the Directors to exercise the power of the Company to allot shares in the capital of the Company pursuant to Ordinary Resolution No. 3 passed by the shareholders of the Company at the Annual General Meeting of the Company held at 27 May 2002 be and is hereby revoked (but without prejudice to any exercise of such mandate prior to the date on which this Resolution becomes effective);
- (b) subject to paragraph 1(d) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph 1(b) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (d) the aggregate nominal amount of share capital allotted and issued, or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph 1(b) above, otherwise than pursuant to a Rights Issue (as hereafter defined) or the exercise of options under the share option scheme of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution, and the authority granted pursuant to paragraph 1(b) shall be limited accordingly; and

NOTICE OF SGM

- (e) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(2) “THAT:

- (a) the general mandate granted to the Directors to exercise the power of the Company to repurchase shares of the Company pursuant to Ordinary Resolution No. 4 passed by the shareholders of the Company at the Annual General Meeting of the Company held at 27 May 2002 be and is hereby revoked (but without prejudice to any exercise of such mandate prior to the date on which this Resolution becomes effective);
- (b) subject to paragraph 2(d) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph 2(b) above shall be in addition to any other authorisation given to the Directors;
- (d) the aggregate nominal amount of share capital purchased or agreed conditionally or unconditionally to be purchased by the Directors pursuant to the approval in paragraph 2(b) above during the Relevant Period shall be no more than 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution, and the authority granted pursuant to paragraph 2(b) shall be limited accordingly; and

NOTICE OF SGM

(e) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

- (3) “**THAT** conditional on the passing of the Ordinary Resolutions numbered (1) and (2) as set out in the notice of the Meeting of which this Resolution forms part, the aggregate nominal amount of the number of shares in the share capital of the Company that shall have been repurchased by the Directors after the date of the passing of this Resolution pursuant to and in accordance with the said Ordinary Resolution number (2) shall be added to the aggregate nominal amount of share capital that may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to the general mandate to allot and issue shares granted to the Directors by the said Ordinary Resolution numbered (1).”

By order of the Board
Ben Leung
Company Secretary

Hong Kong, 8 November 2002

*Head office and principal place
of business in Hong Kong:*
Suite 1609 New East Ocean Centre
9 Science Museum Road
Tsimshatsui East
Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed.
3. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time of the meeting, delivering of an instrument appointing a proxy shall not preclude a member of the company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.