
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in Victory Group Limited, you should at once hand this circular to the purchaser or the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES OF THE COMPANY

A notice convening the annual general meeting of VICTORY GROUP LIMITED to be held at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 28 May 2003 at 3:00 p.m., is set out in the 2002 annual report. Whether or not you propose to attend the meeting, you are requested to complete the 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 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting should they so wish.

28 April 2003

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 28 May 2003 at 3:00 p.m., notice of which is set out in the 2002 annual report
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Victory Group Limited, shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Latest Practicable Date”	17 April 2003, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Repurchase Mandate”	the general mandate to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing of the Repurchase Resolution
“Repurchase Proposal”	the proposal to grant the Repurchase Mandate to the Directors
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution 5 of the notice of the Annual General Meeting
“Share(s)”	share(s) of \$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Codes on Takeovers and Mergers and Share Repurchases
“\$” and “cents”	Hong Kong dollars and cents respectively

LETTER FROM THE CHAIRMAN



VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Chan Chun Choi
Lam Mo Kuen, Anna

Non-Executive Directors:

Liu Kwok Fai Alvan
Ng Chi Shing*
Yuen Kwok Wah, Bernard*

* Independent

Registered Office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

Suite 1609, New East Ocean Centre
9 Science Museum Road
T.S.T. East, Kowloon
Hong Kong

28 April 2003

To the shareholders

Dear Sir or Madam,

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES OF THE COMPANY

INTRODUCTION

The purpose of this circular is to provide you with information relating to the ordinary resolutions to be proposed at the forthcoming Annual General Meeting to grant to the Directors the Repurchase Mandate, a general mandate to issue new Shares up to a maximum of 20% of the issued share capital of the Company as at the date of the passing of the relevant ordinary resolution and to increase the number of Shares which the Directors may issue under their general mandate by the number of Shares repurchased. As at the Latest Practicable Date, the issued share capital of the Company comprised 264,611,600 Shares. Subject to the passing of the relevant ordinary resolution and on the basis that no Shares are issued and repurchased, the Directors would be allowed to issue new Shares up to a maximum of 52,922,320 Shares.

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions.

In accordance with the Listing Rules, this circular also serves as the explanatory statement, to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against resolutions 4 to 6 to be proposed at the Annual General Meeting.

LETTER FROM THE CHAIRMAN

EXPLANATORY STATEMENT

1. Exercise of the Repurchase Mandate

Whilst the Directors do not presently intend to repurchase any Shares, they believe that the flexibility afforded by the Repurchase Mandate if the Repurchase Resolution is passed would be beneficial to the Company.

It is proposed that up to 10% of the Shares in issue as at the date of the passing of the Repurchase Resolution may be repurchased. As at the Latest Practicable Date, the issued share capital of the Company comprised 264,611,600 Shares. Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased, the Directors would be authorised to repurchase up to 26,461,160 Shares during the period up to the next annual general meeting in year 2004 or 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 the revocation or variation of the authority given under the Repurchase Resolution by an ordinary resolution of the shareholders in general meeting of the Company, whichever occurs first.

2. Reason for Repurchases

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the value of the net assets and/or earnings and/or dividend per Share of the Company before the Shares are redeemed.

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. Bermuda law provides that payment in connection with a share repurchase may only be paid out of either the capital paid up on the relevant Shares, or out of the funds of the Company otherwise available for dividend or distribution or the proceeds of a fresh issue of Shares made for the purpose. The amount of premium payable on repurchase may only be paid out of either funds of the Company that would otherwise be available for dividend or distribution or out of the share premium account of the Company before the Shares are redeemed.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its most recent published audited financial statements as at 31 December 2002) in the event that the proposed Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the authority given under the Repurchase Resolution 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. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

LETTER FROM THE CHAIRMAN

4. Undertaking of the Directors

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases of its Shares pursuant to the Repurchase Resolution in accordance with the Listing Rules and all applicable laws of Bermuda, and in accordance with the regulations set out in the bye-laws of the Company.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) has any present intention, in the event that the Repurchase Proposal is approved by shareholders of the Company, to sell Shares to the Company or its subsidiaries.

No connected person of the Company (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company or its subsidiaries, or has undertaken not to do so in the event that the Repurchase Proposal is approved by shareholders of the Company.

5. Effect of Takeover Code

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Resolution, a shareholder's proportionate interest in the voting rights of the Company increases, 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 and 32 of the Takeover Code.

As at the Latest Practicable Date, Eternal Victory Enterprises Inc. ("EVEI"), being the only controlling shareholder of the Company, held 110,377,586 Shares representing approximately 41.71% of the issued share capital of the Company. These Shares were held by EVEI as trustee of a unit trust, the units of which are held by a discretionary trust established for the family members of Mr. Chan Chun Choi, including Madam Lam Mo Kuen, Anna. In the event that the Company exercised the Repurchase Mandate in full, the shareholding of EVEI in the Company will increase to approximately 46.35%. In the opinion of the Directors, such an increase of shareholding may give rise to an obligation for Mr. Chan Chun Choi to make a mandatory offer in accordance with Rule 26 of the Takeover Code. However, the Company may not repurchase Shares which would result in the amount of Shares held by the public being reduced to less than 25%. The Directors will be cautioned in exercising the Repurchase Mandate and have no intention to exercise the Repurchase Mandate to such extent which would result in Mr. Chan Chun Choi and parties acting in concert with him becoming obliged to make a mandatory offer.

6. Securities Repurchases Made by the Company

There have been no repurchases of Shares by the Company (whether on the Stock Exchange or otherwise) during the previous six months preceding the Latest Practicable Date.

LETTER FROM THE CHAIRMAN

7. Market Prices

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous 12 months before the Latest Practicable Date were as follows:

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2002		
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
November	0.060	0.055
December	0.060	0.050
2003		
January	0.060	0.040
February	0.060	0.045
March	0.058	0.040

RESOLUTIONS TO BE PROPOSED AT THE ANNUAL GENERAL MEETING

The ordinary resolution 4 to be proposed at the Annual General Meeting relates to the granting of a general mandate to the Directors to issue new Shares up to a maximum of 20% of the issued share capital of the Company as at the date of the passing of the resolution.

The ordinary resolution 5 to be proposed at the Annual General Meeting relates to the granting of the Repurchase Mandate to the Directors.

The ordinary resolution 6 to be proposed at the Annual General Meeting relates to the extension of the general mandate to be granted to the Directors to issue new Shares during the relevant period by adding to it the number of Shares repurchased by the Company under the Repurchase Mandate, if any.

RECOMMENDATION

The Directors are of the opinion that the Repurchase Proposal and the general mandate to issue new Shares are in the best interests of the Company and its shareholders and recommend that you vote in favour of the relevant ordinary resolutions to be proposed at the forthcoming Annual General Meeting.

Yours faithfully,
Chan Chun Choi
Chairman