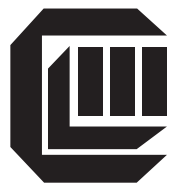


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## **VICTORY GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **PLACING OF NEW SHARES, LOAN CAPITALISATION, CONNECTED TRANSACTION AND WHITEWASH WAIVER**

#### **The Placing**

The Company and Forex entered into the Placing Agreement on 4 February 2004 in relation to the placing of 265,100,000 Shares at HK\$0.018 each. The Placing Shares represent approximately 69.78% of the existing issued share capital of the Company, approximately 41.10% of the enlarged share capital of the Company upon completion of the Placing and approximately 24.66% of the enlarged share capital of the Company upon completion of the Placing and the Loan Capitalisation. The Placing is subject to a number of conditions including, among others, the completion of the Loan Capitalisation. The consideration of HK\$4,771,800 will be satisfied in cash by Forex upon completion of the Placing. EVEI and its associates (as defined under the Listing Rules) will abstain from voting on the resolution approving the Placing at the SGM.

#### **The Loan Capitalisation**

The Company and Winsley entered into the Loan Capitalisation Agreement on 4 February 2004 whereby Winsley agreed to subscribe for 430,000,000 Shares at HK\$0.018 each. The Loan Capitalisation Shares represent approximately 113.18% of the existing issued share capital of the Company and approximately 40.00% of the enlarged share capital of the Company upon completion of the Placing and the Loan Capitalisation. The consideration of HK\$7,740,000 will be satisfied as to HK\$7,647,163 by setting off against amount owed by the Company to Winsley and the remaining HK\$92,837 by cash upon completion of the Loan Capitalisation, which will take place simultaneously with that of the Placing.

As Winsley is a company jointly controlled by Mr. Chan Chun Choi and Ms. Lam Mo Kuen, Anna, both of them being executive Directors, the Loan Capitalisation constitutes a connected transaction for the Company under Rule 14.26 of the Listing Rules and will be subject to the approval by the Independent Shareholders at the SGM. EVEI and its associates (as defined under the Listing Rule) will abstain from the resolutions approving the Loan Capitalisation and the Whitewash Waiver at the SGM. The Loan Capitalisation is also subject to a number of other conditions which include, among others, the granting of the Whitewash Waiver by the Executive. An independent board committee will be formed to consider the terms of the Loan Capitalisation and the Whitewash Waiver and REXCAPITAL (Hong Kong) Limited will be appointed to advise the independent board committee in this regard.

### **Whitewash Waiver application**

Under Rule 26 of the Takeovers Code, upon completion of the Placing and the Loan Capitalisation, Winsley and parties acting in concert with it would be obligated to make a mandatory unconditional general offer for all the Shares in issue other than those already owned or agreed to be acquired by Winsley and/or parties acting in concert with it. Winsley will apply to the Executive for the Whitewash Waiver, which if granted, would normally be subject to the approval of the Independent Shareholders on a vote taken by way of a poll at the SGM. **There will be no general offer made under Rule 26 of the Takeovers Code.**

### **General**

A circular containing, among other things, details of the Placing and Loan Capitalisation, a letter from the independent board committee, a letter from the independent financial adviser setting out its advice in relation to the Loan Capitalisation and the Whitewash Waiver and a notice of the SGM, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Code and the Listing Rules.

At the request of the Company, trading in the shares of the Company has been suspended since 9:30 a.m. of 5 February 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effective from 9:30 a.m. on 18 February 2004.

The Board has noted the decrease in the Share price and the increase in the turnover of the Shares on 4 February 2004 and wishes to state that, save for the information disclosed in this announcement, the Board is not aware of any other 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 other matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement which is or may be of price sensitive nature.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **PLACING AGREEMENT**

**Date:** 4 February 2004

#### **Subscriber**

Forex, an investment holding company incorporated in the British Virgin Islands wholly and beneficially owned by Mr. Shao Jianxiong.

Forex, together with Mr. Shao Jianxiong, are independent of, and not connected with, and not acting in concert with (i) Winsley and its directors and substantial shareholders; and (ii) the directors, chief executives and substantial shareholders of the Company and its subsidiaries or an associate of any of them (as defined under the Listing Rules).

#### **Number of Shares to be placed**

265,100,000 Shares at HK\$0.018 each

The Placing Shares represent approximately 69.78% of the existing issued share capital of the Company, approximately 41.10% of the enlarged share capital of the Company upon completion of the Placing and approximately 24.66% of the enlarged share capital of the Company upon completion of the Placing and the Loan Capitalisation. Upon completion of the Placing, Forex will become a substantial Shareholder (as defined under the Listing Rules).

#### **Consideration**

The consideration for the Placing of HK\$4,771,800, representing HK\$0.018 for each Placing Share, will be satisfied in cash by Forex upon completion of the Placing.

## **Placing Price**

The Placing Price of HK\$0.018 has been arrived at after arm's length negotiation between the Company and Forex and taking into account the thin trading volume of the Shares (the daily average turnover of the Shares during the six calendar months immediately preceding the last trading day prior to the date of this announcement was approximately HK\$41,000) and the latest financial condition of the Company. The Placing Price represents:

- (i) a discount of approximately 35.71% to the closing price of HK\$0.028 per Share quoted on the Stock Exchange on 4 February 2004, being the last trading day before suspension of trading of the Share on 4 February 2004 pending the release of this announcement;
- (ii) a discount of approximately 50.00% to the average of the closing prices per Share as quoted on the Stock Exchange of approximately HK\$0.036 for the 10 trading days ended 4 February 2004; and
- (iii) a premium of approximately 151.43% and 143.90% with reference to the Group's unaudited consolidated net liabilities per Share (based on (a) the audited consolidated net liabilities of the Group of approximately HK\$13.43 million as stated in the annual report of the Company for the year ended 31 December 2002; (b) the unaudited consolidated net liabilities of the Group of approximately HK\$15.53 million as stated in the interim report of the Company for the 6 months ended 30 June 2003; and (c) 379,911,600 Shares outstanding as at the date of this announcement).

## **Conditions of Placing**

Completion of the Placing Agreement shall be conditional upon:

- (i) the satisfaction of any conditions or requirements imposed on the Company and/or Forex by the Stock Exchange pursuant to the Listing Rules in connection with the transactions contemplated by the Placing Agreement;
- (ii) the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares;
- (iii) the approval of the Placing Agreement and the transactions therein contemplated by the Shareholders in a SGM in accordance with the requirements of the Listing Rules;
- (iv) if necessary, all consents of all relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, Bermuda, or elsewhere which are required or appropriate for the entering into and the implementation of the Placing Agreement having been given or made;
- (v) save for any temporary suspension of the trading of the Shares on the Stock Exchange, no indication being received on or before the completion of the Placing from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to as a result of the completion of the Placing or in connection with the terms of or any transactions contemplated by the Placing Agreement (including but not limited to in connection with an allegation that the Company is no longer suitable for listing); and
- (vi) the Loan Capitalisation Agreement being unconditional in all respects.

Forex has stated that it will not waive the conditions (ii), (iii) and (vi) above. It may at its discretion at any time waive in writing any of the conditions (i), (iv) or (v) above, and such waiver may be made subject to such terms and conditions to be determined by Forex.

EVEI and its associates (as defined under the Listing Rules) will abstain from voting on the resolution approving the Placing at the SGM.

### **Completion of Placing**

Completion of the Placing Agreement shall take place on or before the third Business Day following the satisfaction of the conditions of the Placing Agreement or such other date as may be agreed by the Company or Forex. If any of the above conditions are not fulfilled or waived on or before 3 August 2004 or such other date as the Company and Forex may agree in writing, the Placing Agreement will lapse and be of no further effect.

### **Reason for the Placing**

The Company is an investment holding company. The Group is principally engaged in the marketing and wholesale distribution of left-hand-drive motor vehicles in Hong Kong and the PRC and property holding for rental income purposes in Hong Kong. The Group has been operating at a loss for each of the five years ended 31 December 2002 and for the six months ended 30 June 2003. According to the interim results of the Group as at 30 June 2003 and after adjusting for the placing of Shares on 15 September 2003 and 5 December 2003, the consolidated net deficit (the “Adjusted Net Deficit”) and net current liabilities (“Adjusted Net Current Liabilities”) of the Group amounted to approximately HK\$13.68 million and HK\$30.48 million respectively.

In view of the financial position of the Group and especially its net current liabilities position, the Board considers that an injection of capital and a restructuring of the Group’s capital structure are necessary for the financial stability and future growth of the Group.

The Group has explored various means of raising funds including additional bank financing. However, given the unsatisfactory performance in the past five years, the existing banking facilities have been greatly diminished and the Group admits that the granting of banking facilities from other banks is extremely difficult. As such, the Board considers that the Placing is the best possible opportunity for the Group to raise capital.

The Placing will enable the Group to: (i) reduce its level of indebtedness; (ii) improve its working capital position; and (iii) broaden the Company’s shareholder and capital base. Henceforth, the Board considers that the Placing is in the best interest of the Company and its shareholders as a whole.

### **Use of Proceeds**

The Placing will generate a gross amount of proceeds of HK\$4,771,800 and net proceeds of approximately HK\$4,311,800 after payment of financial, legal, printing and publication charges of approximately HK\$460,000. The Company intends to apply approximately HK\$3.09 million for partial repayment of debts and the remaining HK\$1.22 million for other general working capital purposes, including annual listing fees of HK\$145,000, annual audit and result announcement charges of approximately HK\$430,000, Directors’ fees of HK\$300,000, share registrars’ fees of HK\$35,000, staff costs of approximately HK\$210,000, premises expenses of approximately HK\$40,000 and other office utilities of approximately HK\$60,000.

### **LOAN CAPITALISATION AGREEMENT**

**Date:** 4 February 2004

#### **Subscriber**

Winsley, a company incorporated in Hong Kong and is jointly controlled by Mr. Chan Chun Choi and Ms. Lam Mo Kuen, Anna, both of them being executive Directors. As at the date of this announcement, Winsley and parties acting in concert with it are interested in approximately 29.05% of the existing issued share capital of the Company.

## **Loan Capitalisation Shares**

430,000,000 Shares at HK\$0.018 each

The Loan Capitalisation Shares represent approximately 113.18% of the existing issued share capital of the Company and approximately 40.00% of the enlarged share capital of the Company upon completion of the Placing and the Loan Capitalisation. The consideration of HK\$7,740,000 will be satisfied as to HK\$7,647,163 by setting off against amount owed by the Company to Winsley and the remaining HK\$92,837 by cash upon completion of the Loan Capitalisation.

## **Loan Capitalisation Price**

The Loan Capitalisation Price of HK\$0.018 per Loan Capitalisation Share has been arrived at taking into account the Placing Price, the thin trading volume of the Shares and the latest financial condition of the Company. The Loan Capitalisation Price represents:

- (i) a discount of approximately 35.71% to the closing price of HK\$0.028 per share quoted on the Stock Exchange on 4 February 2004, being the last trading day before suspension of trading of the Share on 4 February 2004 pending the release of this announcement;
- (ii) a discount of approximately 50.00% to the average of the closing prices per Share as quoted on the Stock Exchange of approximately HK\$0.036 for the 10 trading days ended 4 February 2004; and
- (iii) a premium of approximately 151.43% and 143.90% with reference to the Group's unaudited consolidated net liabilities per share (based on (a) the audited consolidated net liabilities of the Group of approximately HK\$13.43 million as stated in the annual report of the Company for the year ended 31 December 2002; (b) the unaudited consolidated net liabilities of the Group of approximately HK\$15.53 million as stated in the interim report of the Company for the 6 months ended 30 June 2003; and (c) 379,911,600 Shares outstanding as at the date of this announcement).

## **Connected Transaction**

As Winsley is a company jointly controlled by Mr. Chan Chun Choi and Ms. Lam Mo Kuen, Anna, both of them being executive Directors, the Loan Capitalisation constitutes a connected transaction for the Company under Rule 14.26 of the Listing Rules and will be subject to the approval by the Independent Shareholders at the SGM. EVEI and its associates (as defined under the Listing Rules) will abstain from voting on the resolutions approving the Loan Capitalisation at the SGM. An independent board committee will be formed to consider the terms of the Loan Capitalisation and REXCAPITAL (Hong Kong) Limited will be appointed to advise the independent board committee in this regard.

## **Conditions of Loan Capitalisation**

Completion of the Loan Capitalisation Agreement shall be conditional upon:

- (i) the satisfaction of any conditions or requirements imposed on the Company and/or Winsley by the Stock Exchange and/or the SFC pursuant to the Listing Rules and/or the Code in connection with the transactions contemplated by the Loan Capitalisation Agreement;
- (ii) the Stock Exchange granting approval for the listing of, and permission to deal in, the Loan Capitalisation Shares on the Stock Exchange;
- (iii) the SFC having granted a Whitewash Waiver to Winsley together with any party acting in concert with it, if any, to effect that Winsley together with any party acting in concert with it, if any, are under no obligation to make a mandatory offer under Rule 26 of the Code in connection with the transactions contemplated by the Loan Capitalisation Agreement;

- (iv) the approval of the Loan Capitalisation Agreement and the transactions therein contemplated by the Independent Shareholders in a SGM in accordance with the requirements of the Listing Rules and/or the Code;
- (v) if necessary, all consents of all relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, Bermuda, or elsewhere which are required or appropriate for the entering into and the implementation of the Loan Capitalisation Agreement having been given or made; and
- (vi) saving for any temporary suspension of the trading of the Shares on the Stock Exchange, no indication being received on or before the completion of the Loan Capitalisation from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to as a result of the completion of the Loan Capitalisation or in connection with the terms of or any transactions contemplated by the Loan Capitalisation Agreement (including but not limited to in connection with an allegation that the Company is no longer suitable for listing).

Winsley has stated that it will not waive the conditions (ii), (iii) and (iv) above. **Hence, there will be no general offer made under Rule 26 of the Takeovers Code.** Winsley may at its discretion at any time waive in writing any of the conditions (i), (v) or (vi) above, and such waiver may be made subject to such terms and conditions to be determined by Winsley.

### **Completion of Loan Capitalisation**

Completion of the Loan Capitalisation Agreement shall take place on or before the third Business Day following the satisfaction of the conditions specified in the Loan Capitalisation Agreement and the completion of the Placing Agreement or such other date as may be agreed by the Company and Winsley. If any of the above conditions are not fulfilled or waived on or before 3 August 2004 or such other date as the Company and Winsley may agree in writing, the Loan Capitalisation Agreement will lapse and be of no further effect.

### **Reason for the Loan Capitalisation**

As set out in the section headed “Reason for the Placement”, in view of the financial position of the Group and especially its net current liabilities position, the Board considers that an injection of capital and a restructuring of the Group’s capital structure are necessary for the financial stability and future growth of the Group. Moreover, the Loan Capitalisation is a pre-condition imposed by Forex for the Placing.

The Loan Capitalisation will enable the Group to: (i) repay the entire amount of loan due to Winsley of HK\$7,647,163 as at the date of the Loan Capitalisation Agreement and the date of this announcement; (ii) improve its working capital position; and (iii) broaden the Company’s capital base. Henceforth, the Board considers that the Loan Capitalisation is in the best interest of the Company and its shareholders as a whole.

The Loan Capitalisation, together with the Placing, will enable the Group to: (i) reduce its level of indebtedness by HK\$10.75 million; (ii) reduce the Adjusted Net Deficit of the Group from approximately HK\$13.68 million to approximately HK\$2.93 million and the Adjusted Net Current Liabilities from approximately HK\$30.48 million to approximately HK\$19.73 million; and (iii) broaden the Company’s shareholder and capital base.

After completion of the Placing and the Loan Capitalisation, the major debts of the Company will be bank borrowing and amount due to a Director, the amounts of which outstanding as at 31 December 2003 were HK\$13.26 million and HK\$2.28 million respectively.

## RANKING AND RIGHT OF PLACING AND LOAN CAPITALISATION SHARES

The Placing Shares and Loan Capitalisation Shares will rank pari passu in all respects among themselves and with all other Shares in issue or to be issued by the Company on or prior to completion of the Placing and Loan Capitalisation including the rights to all dividends and other distributions declared, made or paid at any time after the date of issue and allotment.

## CHANGES TO THE SHAREHOLDING AS A RESULT OF THE PLACING AND LOAN CAPITALISATION

The effect of the Placing and Loan Capitalisation on the shareholding structure of the Company is as follows:

	At present		Immediately after completion of Placing and Loan Capitalisation	
	Number of Shares	Approximate Percentage	Number of Shares	Approximate Percentage
EVEI (Note 1)	110,377,586	29.05%	110,377,586	10.27%
Winsley (Note 2)	–	–	430,000,000	40.00%
Subtotal (Note 3)	–	–	540,377,586	50.27%
Forex	–	–	265,100,000	24.66%
Public	269,534,014	70.95%	269,534,014	25.07%
Total	379,911,600	100%	1,075,011,600	100%

*Note 1 – the Shares are held 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. EVEI is wholly and beneficially owned by Mr. Chan Chun Choi.*

*Note 2 – Winsley is jointly controlled by Mr. Chan Chun Choi and Ms. Lam Mo Kuen, Anna, both of them being executive Directors*

*Note 3 – this represents the entire shareholdings of Winsley and parties acting in concert with it in the Company.*

## INTENTION OF THE GROUP

Upon completion of the Placing and the Loan Capitalisation, Winsley will become the single largest Shareholder and Forex will become the second largest Shareholder. It is the intention of Winsley and Forex to maintain the listing of the Shares on the Stock Exchange and to continue with the existing business of the Group. Currently, Winsley and Forex have no plan to inject any assets or businesses into the Group or to redeploy the fixed assets and make any significant changes to the existing businesses of the Group. Winsley and Forex have no intention to make any material changes to the existing senior management or the employees of the Group. They also have no intention of appointing any directors to the Company but may elect to do so in the future. The Company will inform the Shareholders in this regard as and when appropriate.

The Stock Exchange has stated that if the Company remains a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. The Stock Exchange has indicated that it has the discretion to require the Company to issue an announcement and a circular to its shareholders irrespective of the size of the proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power, pursuant to the Listing Rules, to aggregate a series of transactions of the Company and any such transactions may result in the Company being treated as if it was a new listing applicant as set out in the Listing Rules.

### **WHITEWASH WAIVER**

As at the date of this announcement, Winsley and parties acting in concert with it are interested in approximately 29.05% of the existing issued share capital of the Company.

Immediately upon completion of the Placing and the Loan Capitalisation, Winsley and parties acting in concert with it will be interested in 50.27% of the enlarged issued share capital of the Company. Accordingly, under Rule 26 of the Code, Winsley and parties acting in concert with it would be obligated to make a mandatory unconditional general offer for all the Shares in issue other than those already owned or agreed to be acquired by Winsley and/or parties acting in concert with it.

Winsley will apply to the Executive for the Whitewash Waiver, which if granted, would normally be subject to the approval of the Independent Shareholders on a vote taken by way of a poll at the SGM.

Winsley and parties acting in concert with it have not dealt in any securities of the Company for the period of six months prior to the date of this announcement.

### **FUND RAISING ACTIVITIES FOR THE PAST 24 MONTHS**

During the past 24 months, the Company undertook 3 fund raising exercises:

- (i) The placing of 44,000,000 new shares (the “June Placement Shares”) of HK\$0.01 each at a price of HK\$0.115 per share to 6 independent investors on 10 June 2002 raising net proceeds of approximately HK\$4.5 million for the general working capital of the Company. The Company made announcement in relation the foregoing placing on 28 May 2002. The price for the June Placement Shares of HK\$0.115 per Share represented a discount of approximately 4.96% to the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on 27 May 2002. The June Placement Shares, representing 19.94% of the then issued share capital of the Company, were allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 27 May 2002. The amount of net proceeds raised was approximately HK\$4.36 million, of which approximately HK\$2 million was applied for reducing the bank loans and the approximate remaining amount of HK\$2.36 million was applied for the procurement of updated inventories.
- (ii) The placing of 52,000,000 new shares (the “September Placement Shares”) of HK\$0.01 each at a price of HK\$0.02 per share to 4 independent investors on 15 September 2003 raising net proceeds of approximately HK\$0.95 million for repayment of debts and for general working capital of the Company. The Company made announcement in relation to the foregoing placing on 21 August 2003. The price for the September Placement Shares of HK\$0.02 per share represented a discount of approximately 60.78% to the closing price of HK\$0.051 per Share quoted on the Stock Exchange on 18 August 2003. The September Placement Shares, representing 16.42% of the then issued share capital of the Company, were allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 May 2003. The amount of net proceeds raised

was approximately HK\$949,000, of which approximately HK\$650,000 were applied for repayment of debts and the approximate remaining amount of HK\$299,000 was fully applied for other general working capital purposes, including payroll of HK\$186,000, premises expenses of HK\$48,000, and printing fees of HK\$65,000.

- (iii) The placing of 63,300,000 new shares (the “November Placement Shares”) of HK\$0.01 each at a price of HK\$0.016 per share to not fewer than 6 independent investors on 5 December 2003 raising net proceeds of approximately HK\$0.90 million for repayment of debts and for general working capital of the Company. The Company made announcement in relation to the foregoing placing on 19 November 2003. The price for the November Placement Shares of HK\$0.016 per share represented a discount of approximately 42.86% to the closing price of HK\$0.028 per Share quoted on the Stock Exchange on 10 November 2003. The November Placement Shares, representing 16.66% of the then issued share capital of the Company, were allotted and issued under the general mandate granted to the Directors at the special general meeting of the Company held on 3 November 2003. The amount of net proceeds raised was approximately HK\$900,000, of which approximately HK\$668,000 were applied for repayment of debts and the approximate remaining amount of HK\$232,000 was applied for other general working capital purposes.

## **GENERAL INFORMATION**

The Company will submit an application to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares and the Loan Capitalisation Shares pursuant to the Placing Agreement and the Loan Capitalisation Agreement.

An independent board committee will be formed to consider the terms of the Loan Capitalisation and the Whitewash Waiver. REXCAPITAL (Hong Kong) Limited will be appointed to advise the independent board committee in this regard.

A circular containing, among other things, details of the Placing and Loan Capitalisation, a letter from the independent board committee, a letter from the independent financial adviser setting out its advice in relation to the Loan Capitalisation and the Whitewash Waiver and a notice of the SGM, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code and the Listing Rules.

Asian Capital (Corporate Finance) Limited has been appointed as the financial adviser to the Company.

**At the request of the Company, trading in the Shares of the Company has been suspended since 9:30 a.m. on 5 February 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effective from 9:30 a.m. on 18 February 2004.**

**The Board has noted the decrease in the Share price and the increase in the turnover of the Shares on 4 February 2004 and wishes to state that, save for the information disclosed in the announcement, the Board is not aware of any other negotiations or agreements relating to intended acquisitions or realizations which are discloseable under paragraph 3 of the Listing Agreement, neither is the Board aware of any other matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement which is or may be of price sensitive nature.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

**DEFINITIONS:**

“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business (other than a Saturday)
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	Victory Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s), including independent non-executive director(s), of the Company
“EVEI”	Eternal Victory Enterprises Inc., a company incorporated in 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 Mr. Chan Chun Choi. EVEI is wholly and beneficially owned by Mr. Chan Chun Choi
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Forex”	Forex Investment Development Limited, a company incorporated in the British Virgin Islands wholly and beneficially owned by Mr. Shao Jianxiong.
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders who are not involved or interested in the Placing and the Loan Capitalisation other than their interest as Shareholders
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Capitalisation”	the subscription for 430,000,000 Shares at HK\$0.018 per Share pursuant to the Loan Capitalisation Agreement
“Loan Capitalisation Agreement”	a conditional subscription agreement dated 4 February 2004 and entered into between the Company and Winsley
“Loan Capitalisation Price”	HK\$0.018 per Loan Capitalisation Share
“Loan Capitalisation Shares”	430,000,000 Shares in the capital of the Company to be subscribed by Winsley pursuant to the Loan Capitalisation Agreement
“Placing”	the placing of 265,100,000 Shares at HK\$0.018 per Share to Forex pursuant to the Placing Agreement

“Placing Agreement”	a conditional subscription agreement dated 4 February 2004 and entered into between the Company and Forex
“Placing Price”	HK\$0.018 per Placing Shares
“Placing Shares”	265,100,000 Shares in the capital of the Company to be placed to Forex pursuant to the Placing Agreement
“SFC”	the Securities and Futures Commission in Hong Kong
“SGM”	the special general meeting of the Company to be held for the purpose of passing the relevant resolutions in relation to the Placing and the Loan Capitalisation
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Whitewash Waiver”	a waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Code from the obligation of Winsley and parties acting in concert with it to make a general offer for all the Shares of the Company not already owned or agreed to be acquired by them upon completion of the Loan Capitalisation
“Winsley”	Winsley Investment Limited, a company incorporated in Hong Kong and is jointly controlled by Mr. Chan Chun Choi and Ms. Lam Mo Kuen, Anna, both of them being executive Directors
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board of  
**VICTORY GROUP LIMITED**  
**Chan Chun Choi**  
*Chairman*

Hong Kong, 17 February 2004

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

Please also refer to the published version of this announcement in The Standard.