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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your 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, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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### **VICTORY GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1139)

## **PROPOSALS INVOLVING SHARE CONSOLIDATION CHANGE OF BOARD LOT SIZE AND NOTICE OF SPECIAL GENERAL MEETING**

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A letter from the board of directors of the Company is set out on pages 4 to 8 of this circular.

A notice convening the SGM to be held at 3:00 p.m. on Tuesday, 20 December 2005 at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong is set out in Appendix I to this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

2 December 2005

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## DEFINITIONS

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

“SGM”	the special general meeting of the Company to be held at 3:00 p.m. on Tuesday, 20 December 2005 at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong, or any adjournment thereof;
“Announcement”	the announcement dated 22 November 2005 in relation to, among other things, the Share Consolidation and change of board lot size of the Shares;
“Board”	the board of Directors or a duly authorised committee of the board of Directors;
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC;
“Company”	Victory Group Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange;
“Consolidated Share(s)”	new share(s) of HK\$0.10 each in the issued and unissued share capital of the Company upon the Share Consolidation becoming effective;
“Directors”	the directors of the Company;
“Effective Date”	the date on which the Share Consolidation becomes unconditional;
“Existing Share(s)”	ordinary shares of HK\$0.01 each in the existing issued and unissued share capital of the Company;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	HK dollars, the lawful currency in Hong Kong;
“Latest Practicable Date”	Wednesday, 30 November 2005, being the latest practicable date for ascertaining certain information included in this circular;

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Share(s)”	share(s) in the capital of the Company;
“Shareholders”	holders of Shares;
“Share Consolidation”	the proposed consolidation of every 10 Existing Shares into one Consolidated Share; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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## EXPECTED TIMETABLE

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*The following expected timetable is dependent on the date of fulfillment of the relevant conditions to which the Share Consolidation is subject. The timetable may need to be updated if and when the expected dates of fulfillment of such conditions are revised, and in such case the Company will issue an announcement to inform the Shareholders and the investing public accordingly.*

Despatch of circular together with ..... 2 December 2005  
the notice of SGM

Latest time for lodging the form of ..... 3:00 p.m. on 18 December 2005  
proxy for the SGM

SGM ..... 3:00 p.m. on 20 December 2005

Effective Date of the Share Consolidation ..... 4:00 p.m. on 20 December 2005

Existing counter for trading of Existing Shares ..... 9:30 a.m. on 21 December 2005  
in board lots of 8,000 of Existing Shares  
temporarily closes

Temporary counter for trading of Consolidated Shares ..... 9:30 a.m. on 21 December 2005  
in board lots of 800 of Consolidated Shares  
(in the form of existing share certificates) opens

Existing counter for trading of Consolidated Shares ..... 9:30 a.m. on 9 January 2006  
in board lots of 2,000 of Consolidated Shares  
(in the form of new share certificates) re-opens

Parallel trading of Consolidated Shares ..... 9:30 a.m. on 9 January 2006  
(in the form of existing and new share  
certificates) commences

First day of odd lot facility ..... 9 January 2006

Parallel trading of Consolidated Shares ..... 4:00 p.m. on 1 February 2006  
(in the form of existing and new share  
certificates) ends

Last day of odd lot facility ..... 1 February 2006

Temporary counter for trading of Consolidated Shares ..... 4:00 p.m. on 1 February 2006  
in board lots of 800 of Consolidated Shares  
(in the form of existing share certificates) closes

Free exchange of new share certificates for ..... from 21 December 2005  
Consolidated Shares ..... to 6 February 2006

*Note:* All times and dates refer to Hong Kong local time and dates.

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## LETTER FROM THE BOARD

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# VICTORY GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1139)

*Executive Directors:*

Chan Chun Choi

Lu Su Hua

*Independent non-executive Directors:*

Ng Chi Shing

Yuen Kwok Wah, Bernard

Lam Williamson

*Registered office:*

Clarendon House

Church Street

Hamilton HM11

Bermuda

*Principal place of business  
in Hong Kong:*

Suite 1609

New East Ocean Centre

9 Science Museum Road

Tsimshatsui East

Kowloon, Hong Kong

2 December 2005

*To Shareholders*

Dear Sirs,

**PROPOSALS INVOLVING SHARE CONSOLIDATION  
CHANGE OF BOARD LOT SIZE  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**1. INTRODUCTION**

The Company has stated in the Announcement of its intention to propose, among other things, the Share Consolidation and change of board lot size to the Shareholders at the SGM.

The purpose of this circular is to provide you with information on the above matters.

**2. PROPOSED SHARE CONSOLIDATION**

As stated in the Announcement, the Board proposed to seek approval from the Shareholders at the SGM to effect, among other things, the Share Consolidation by consolidating every 10 Existing Shares of HK\$0.01 each into one Consolidated Share of HK\$0.10.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the authorised share capital of the Company is HK\$22,055,864 divided into 2,205,586,400 Existing Shares of which 1,290,011,600 Existing Shares have been issued and are credited as fully-paid. Based on the existing issued share capital of the Company and upon the implementation of the Share Consolidation, the authorised share capital of the Company will remain at HK\$22,055,864 but divided into 220,558,640 Consolidated Shares of which 129,001,160 Consolidated Shares will be in issue (assuming that there are no changes in the share capital of the Company from the Latest Practicable Date and up to the Effective Date).

The Consolidated Shares will rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the respective rights of the Shareholders.

### **Board lots arrangement**

The Existing Shares are currently traded in board lots of 8,000 Existing Shares. Upon the commencement of the parallel trading which is expected to be on Monday, 9 January 2006, the Consolidated Shares will be traded in board lots of 2,000 Consolidated Shares such that the value of each board lot will be changed from HK\$176 (before the Share Consolidation) to HK\$440 (after the Share Consolidation) based on the closing price per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date which was HK\$0.022.

### **Odd lot arrangements and fractional Shares**

In order to facilitate the trading of odd lots of Consolidated Shares and the change of board lot size, Quam Securities Company Limited will be appointed by the Company to provide a matching service to those Shareholders who wish to acquire or to dispose of their holdings of odd lots of Consolidated Shares. Holders of odd lots of Consolidated Shares who wish to take advantage of this trading facility should contact Mr. Ho Sin Cheung of Quam Securities Company Limited at 32nd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong (telephone number: (852) 2847 2269) during the period from 9 January 2006 to 1 February 2006, both dates inclusive.

Shareholders should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

Where the Share Consolidation gives rise to fractions of a share, such fractional shares will be disregarded and not issued to the Shareholders. All such fractional entitlements to Consolidated Shares will be aggregated, sold and the net proceeds shall be retained for the benefit of the Company.

### **Trading arrangements**

Subject to the Share Consolidation becoming effective, the arrangement for trading in the Consolidated Shares will be as follows:

- (a) from 9:30 a.m. on Wednesday, 21 December 2005, the existing counter for trading of Existing Shares in board lots of 8,000 Existing Shares will be temporarily closed;

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## LETTER FROM THE BOARD

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- (b) with effect from 9:30 a.m. on Wednesday, 21 December 2005, a temporary counter for trading of Consolidated Shares in board lots of 800 Consolidated Shares, in the form of existing share certificates for the Existing Shares (in light green colour), will be established, and for the purposes of the settlement and delivery for trading at this temporary counter every 10 Existing Shares will be deemed to represent one (1) Consolidated Share. Only share certificates for Existing Shares (in light green colour) can be traded at this temporary counter;
- (c) with effect from 9:30 a.m. on Monday, 9 January 2006, the existing counter will be re-opened for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares. Only the new share certificates for Consolidated Shares (in blue colour) can be traded at this counter;
- (d) during the period from 9:30 a.m. on Monday, 9 January 2006 to 4:00 p.m. on Wednesday, 1 February 2006 (both days inclusive), parallel trading of Consolidated Shares will be carried out at the above two counters; and
- (e) the temporary counter for trading of Consolidated Shares in board lots of 800, using the existing certificates for the Existing Shares (in light green colour), will be closed at 4:00 p.m. on Wednesday, 1 February 2006 and trading of Consolidated Shares will only be done in board lots of 2,000 thereafter (in the form of new share certificates in blue colour).

### **Exchange of Share Certificates**

After the Share Consolidation has become effective, Shareholders may submit their share certificates for Existing Shares to the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, during the business hours of Tengis Limited from Wednesday, 21 December 2005 to Monday, 6 February 2006 (both dates inclusive), in exchange for new share certificates for Consolidated Shares at the expense of the Company. Thereafter, certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such amount as may from time to time be determined by the Stock Exchange) for each existing share certificate or new share certificate, whichever number of certificates is higher and such certificates for Existing Shares will cease to be marketable and will not be acceptable for dealing purpose. However, such share certificates will continue to be good evidence of the legal title to the Existing Shares.

### **Effects of Share Consolidation**

The Share Consolidation has no impact on the underlying assets and liabilities, business operations, management or financial position of the Group (other than the expenses in connection therewith) or the proportionate interests of the Shareholders in the Company and their respective voting rights.



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## LETTER FROM THE BOARD

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### Conditions of Share Consolidation

The Share Consolidation is conditional upon:

- (a) the passing at the SGM of an ordinary resolution approving the Share Consolidation; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective.

Assuming that all the above conditions are fulfilled, it is expected that the Share Consolidation will become effective on 20 December 2005, being the date of the SGM.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares after the Share Consolidation becoming effective.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### Reasons for Share Consolidation

As set out in the announcement dated 22 September 2005, as the market price of the Existing Shares approaches the extremities of HK\$0.01, at the request of the Stock Exchange and pursuant to Rule 13.64 of the Listing Rules, the Directors have to implement the Share Consolidation. The Directors also consider that the proposed Share Consolidation will increase the attractiveness of the Consolidated Shares to certain investors and reduce certain listing expenses to the Company.

### 3. SGM

A notice of the SGM is set out in Appendix I of this circular. At the SGM, ordinary resolution will be proposed to approve the proposal set out above.

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and returned, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of attorney or authority, to the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

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## LETTER FROM THE BOARD

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Pursuant to bye-law 66.(1) of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (i) the chairman of such meeting; or
- (ii) at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

#### **4. RECOMMENDATION**

The Directors consider that the proposed Share Consolidation and change of board lot size are each in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the resolution to be proposed at the SGM.

#### **5. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

On Behalf of the Board  
**Victory Group Limited**  
**Chan Chun Choi**  
*Chairman*

**VICTORY GROUP LIMITED***(Incorporated in Bermuda with limited liability)*

(Stock Code: 1139)

**NOTICE IS HEREBY GIVEN** that a special general meeting of Victory Group Limited (the “**Company**”) will be held at 3:00 p.m. on Tuesday, 20 December 2005 at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT:**

conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting the listing of, and permission to deal in, the Consolidated Shares (as defined in paragraph (a) below):

- (a) the 2,205,586,400 shares of HK\$0.01 each in the authorised share capital of the Company be consolidated into 220,558,640 shares of HK\$0.10 each on the basis that every 10 existing issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) share of HK\$0.10 (“**Consolidated Share**”) with effect from 4:00 p.m. on the date on which this resolution is passed, being a day on which the Stock Exchange is open for the business of dealing in securities (or such later date as may be determined by the Directors);
- (b) any fractions of the Consolidated Shares to which shareholders of the Company would otherwise be entitled resulting from the consolidation referred to in paragraph (a) above shall be aggregated and sold for the benefit of the Company by an agent to be appointed by the board of directors of the Company for the purpose as set out in the circular of the Company dated 2 December 2005; and

- (c) any one director of the Company be and is hereby authorised to take any and all steps, and to do and/or procure to be done any and all such acts and things, and to approve, sign and execute any documents which in his opinion may be necessary, desirable or expedient, to implement and carry into effect this resolution.”

On behalf of the Board  
**Chan Chun Choi**  
*Chairman*

Hong Kong, 2 December 2005

*Notes:*

1. A member of the Company who is entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote on his behalf. A proxy needs not be a member of the Company but must attend in person to represent the member. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present or any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
3. In order to be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority, must be deposited with the Company's branch share registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting, or any adjournment thereof.
4. As at the date of this notice, the Board comprises Mr. Chan Chun Choi and Ms. Lu Su Hua as executive directors and Mr. Ng Chi Shing, Mr. Yuen Kwok Wah, Bernard and Mr. Lam Williamson as independent non-executive directors.