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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)

(Stock Code: 1139)

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE NEW SHARES
RE-ELECTION OF RETIRING DIRECTOR
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of VICTORY GROUP LIMITED to be held at Room 1609, New East Ocean Centre, Tsimshatsui East, Kowloon, Hong Kong on Monday, 15 May 2006 at 3:00 p.m., is set out in this circular on page 11 to page 14. 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 26th Floor, Tesbury Centre, 28 Queen's Road East, 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.

19 April 2006

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DEFINITIONS

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

	the annual general meeting of the Company to be held at Room 1609, New East Ocean Centre, Tsimshatsui East, Kowloon, Hong Kong on Monday, 15 May 2006 at 3:00 p.m., notice of which is set out in this circular
“Board”	the board of Directors
“Bye-laws”	the existing bye-laws of the Company
“Company”	Victory Group Limited, shares of which are listed on the Stock Exchange
“Director(s)”	the director(s), including independent non-executive director(s), of the Company
“Latest Practicable Date”	11 April 2006, 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
“Mr. Chan”	Mr. Chan Chun Choi, an executive Director
“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 \$0.1 each in the share capital of the Company
“Shareholder(s)”	shareholder (s) 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 BOARD



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 HM 11

Bermuda

Principal Place of Business:

Suite 1609, New East Ocean Centre

9 Science Museum Road

T.S.T. East, Kowloon

Hong Kong

19 April 2006

To Shareholders

Dear Sir or Madam,

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE NEW SHARES
RE-ELECTION OF RETIRING DIRECTOR
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information relating to the ordinary resolutions to be proposed at the forthcoming 2006 AGM 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, and to re-appoint retiring Director as Director.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the issued share capital of the Company comprised 129,001,160 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 25,800,232 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 3 to 6 to be proposed at the 2006 AGM.

1. General mandate to repurchase shares

At the annual general meeting of the Company held on 18 May 2005, a general mandate was given to Directors to exercise the powers of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the forthcoming 2006 AGM. It is therefore proposed to seek your approval of an ordinary resolution to be proposed at the forthcoming 2006 AGM to give a fresh general mandate to the Directors to exercise the powers of the Company to repurchase Shares.

Explanatory Statement

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 129,001,160 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 12,900,116 Shares during the period up to the next annual general meeting in year 2007 or the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws 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.

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 before the Shares are redeemed.

LETTER FROM THE BOARD

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 2005) 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.

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.

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, to sell Shares to the Company or its subsidiaries.

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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Eternal Victory Enterprises Inc. (“EVEI”) and Winsley Investment Limited (“Winsley”) are the substantial shareholders of the Company. EVEI, holding 11,037,758 shares, representing 8.56% of the entire issued share capital of the Company, is 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, who is an executive director of the Company. EVEI is wholly and beneficially owned by Mr. Chan. Winsley, holding 43,000,000 shares, representing 33.33% of the entire issued share capital of the Company, is a company incorporated in Hong Kong and is jointly controlled by Mr. Chan and Ms. Lam Mo Kuen, Anna, who is the ex-wife of Mr. Chan.

In the event that the Company exercised the Repurchase Mandate in full, the shareholding of Mr. Chan, through his interest in EVEI and Winsley, in the Company will increase to approximately 46.54%. In the opinion of the Directors, such increase of shareholding shall give rise to an obligation for Mr. Chan to make a mandatory offer in accordance with Rule 26 of the Takeover Code. 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 and parties acting in concert with him becoming obliged to make a mandatory offer. Furthermore, the Company may not repurchase Shares which would result in the amount of Shares held by the public being reduced to less than 25%.

Securities Repurchases

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.

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.

LETTER FROM THE BOARD

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 HK\$	Lowest HK\$
2005		
April	0.054	0.035
May	0.048	0.034
June	0.038	0.029
July	0.032	0.018
August	0.050	0.024
September	0.078	0.031
October	0.039	0.024
November	0.029	0.018
December	0.199	0.020
2006		
January	0.185	0.130
February	0.173	0.053
March	0.170	0.113
April (up to 11 April 2006)	0.150	0.130

2. Re-election of retiring Director

Mr. Chan Chun Choi, in pursuant to the Bye-laws numbered 87(1), shall retire from office at the 2006 AGM and shall be eligible and offer himself for re-election. Details of retiring Director proposed for re-election at the 2006 AGM are set out in the Appendix of this circular.

3. Annual General Meeting

The notice convening the 2006 AGM, which contains, inter alia, ordinary resolutions to approve the Repurchase Proposal and the general mandate for Directors to issue new Shares, is set out on pages 11 to 14 of this circular. Shareholders are advised to read the notice and to complete and return the form of proxy for use at the 2006 AGM enclosed with the 2005 annual report of the Company in accordance with the instructions printed thereon.

LETTER FROM THE BOARD

At the 2006 AGM, resolutions put to the vote of the meeting, in pursuant to the Bye-laws numbered 66, 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:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized 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
- (d) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and holding Shares 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 the Shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Shareholder.

On a show of hands, every Shareholder present in person (or being a corporation is present by duly authorized representative) or by proxy shall have one vote. On a poll, every Shareholder present in person, or by proxy or in case of a Shareholder being a corporation by its duly authorized representative shall have one vote for every Share held by him.

By virtue of the Bye-laws numbered 72, a Shareholder entitled to more than one vote on a poll needs not use all his votes or cast all the votes he uses the same way.

RESOLUTIONS TO BE PROPOSED AT THE 2006 AGM

The ordinary resolution 3 to be proposed at the 2006 AGM relates to the re-election of the retiring Director.

The ordinary resolution 4 to be proposed at the 2006 AGM 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 2006 AGM relates to the granting of the Repurchase Mandate to the Directors.

LETTER FROM THE BOARD

The ordinary resolution 6 to be proposed at the 2006 AGM 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, the general mandate to issue new Shares, and the re-appointments of the retiring Director 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 2006 AGM.

Yours faithfully,
Chan Chun Choi
Chairman

The following are the particulars of the Director to be retired and proposed for re-election at the 2006 AGM:

Mr. Chan Chun Choi

Experience

Aged 61, founded the Company in mid-1980s. Mr. Chan has been engaged in the distribution and marketing of automotive products for over 26 years, principally in the People's Republic of China (the "PRC"). Mr. Chan is responsible for the strategic planning and business development of the Company and its subsidiaries (together the "Group"). Mr. Chan had been a member of the Consultative Conference of Guangdong Province, a committee member of the China Council for the Promotion of Peaceful National Reunification, an honorary citizen of Jiangmen and Enping, the PRC, and the honorary chairman of the Federation of Hong Kong Guangdong Community Organization Limited. Save as disclosed above, Mr. Chan did not act as a director in any other listed public company in the last three years.

Length of service

Subject to the re-election approval in the 2006 AGM, Mr. Chan will enter into a letter of appointment with the Company for acting as an executive Director for a term governed by the Bye-laws numbered 87(1) where one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting of the Company.

Relationships

Since 26 August 1997, Mr. Chan also holds the office of Chairman in the Board and of an executive director in all other members of the Group. Mr. Chan does not have any relationship with any other directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Group.

Interests in Shares

As at the Last Practicable Date, Mr. Chan's interest or deemed to be interested in any Shares or underlying Shares pursuant to Part XV of the Securities and Futures Ordinance has been disclosed in the above section titled "Effect of Takeover Code".

Other Disclosure

There is no information which is disclosable nor is or was Mr. Chan involved in any matters required to be disclosed pursuant to any of the requirements of the provisions under the Listing Rules 13.51(2)(h) to 13.51(2)(w). There is also no any matter concerning Mr. Chan that needs to be brought to the attention of the Shareholders.

Director's emoluments

Subject to the re-election approval in the 2006 AGM, Mr. Chan will be entitled to receive an annual remuneration of HK\$800,000, payable half-yearly. The said remuneration was taken into consideration with reference to prevailing market conditions, the length of previous service in the Company, and the affordability of the Company. In the year of 2005, Mr. Chan received \$888,168 as director emolument including salary, allowance, and contribution to Mandatory Provident Fund.

NOTICE OF ANNUAL GENERAL MEETING



VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1139)

NOTICE IS HEREBY GIVEN that an annual general meeting of the Company will be held at Room 1609, New East Ocean Centre, Tsimshatsui East, Kowloon, Hong Kong on Monday, 15 May 2006 at 3:00 p.m. for the following purposes:–

1. To receive and consider the audited financial statements and the reports of the Directors and of the auditors for the year ended 31 December 2005;
2. to re-appoint auditors and to authorise the Board to fix their remuneration;
3. to re-elect Director, to fix the maximum number of Directors, and to authorise the Board to appoint additional Directors and fix the Directors' remuneration;
4. to consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:–

“THAT

- (a) subject to paragraph 4(c) 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;
- (b) the approval in paragraph 4(a) 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;
- (c) 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 4(a) 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 4(a) shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(d) 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 to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Shareholders 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).”;

5. to consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:–

“THAT

- (a) subject to paragraph 5(c) 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;
- (b) the approval in paragraph 5(a) above shall be in addition to any other authorisation given to the Directors;
- (c) 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 5(a) 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 5(a) shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(d) 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 to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Shareholders in general meeting.”

6. to consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** conditional on the passing of the Ordinary Resolutions numbered 4 and 5 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 numbered 5 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 4.”.

7. Any other business.

On behalf of the Board
Chan Chun Choi
Chairman

Hong Kong, 19 April 2006

NOTICE OF ANNUAL GENERAL MEETING

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 at 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting, or any adjournment thereof.
4. The register of members of the Company will be closed from 10 May 2006 to 15 May 2006 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the meeting convened by the above notice, all transfers accompanied by the relevant share certificate and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 9 May 2006.
5. An explanatory statement containing further details on Resolutions 3 to 6 above will be sent to members of the Company together with the annual report for the year ended 31 December 2005.