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VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(the “Company”)

(Stock Code: 1139)

ANNOUNCEMENT

The Company made this announcement in pursuant to Rule 13.09 of the Listing Rules in relation to a claim of outstanding debt by Bank of China (Hong Kong) Limited.

Investors and shareholders of the Company are reminded to exercise caution in dealing in the shares of the Company.

This statement is made under Rule 13.09 of the Listing Rules.

The board of directors of the Company (the “Board”) refers to a claim of outstanding debts and related interest amounted to approximately HK\$12.9 million (the “Loan”) had been filed in the High Court of Hong Kong SAR by Bank of China (Hong Kong) Limited (“BOCHK”) against the Company and Mr. Chan Chun Choi, the chairman of the Board (“Mr. Chan”) as the Company and Mr. Chan are the guarantors of the Loan.

The Company has been served today a sealed copy of the Writ of Summons issued on 15 May 2006 (the “Writ”). The Company and Mr. Chan, both are the guarantors of the Loan, are summoned for the repayment of the Loan, which had been granted to Victory Motors Centre Limited, a wholly-owned subsidiary of the Company, by BOCHK since 2000. The Loan consists of overdue payments, including interest accrued up to 28 April 2006, for overdraft facilities and instalment loan. The reason for the failure of repayment of the Loan is lack of sufficient cash flow generated from the Company’s operations over years. Although the working capital position of the Company has not yet been improved satisfactorily, the Company had managed and will continue to maintain a sufficient level of operations.

Within 14 days after receiving the Writ, the Company will file the acknowledgment of service. Before the official hearing in the court, the Company will keep on negotiating with BOCHK for possibilities of alternate settlement arrangements such as a partial settlement scheme or delay of settlement to an agreed term. A lawyer firm shall be engaged to represent the Company in court when necessary. In the meantime, the Company has not yet seek for any legal assistance or opinion in regard to the Loan and the Writ.

The Board believes that the Loan would be fully settled out of the proceeds from the disposal of the mortgaged property if the Company fails to reach an alternate settlement arrangement with BOCHK. The mortgaged property refers to the office unit numbered 1609 on the sixteen floor of the New East Ocean Centre situate at No. 9 Science Museum Road, Kowloon, Hong Kong. The mortgaged property has been utilized by the Company as its office and for generation of rental income. As at today, the fair market value of the mortgaged property is more than sufficient to repay the Loan. Indeed, the mortgaged property was appraised at HK\$17 million on 31 December 2005.

The Board also believes that the proceeding of the Loan shall have no material impact on the Company’s operations and the Company shall continue to operate with an addition cash

surplus after the mortgaged property is to be disposed of for final settlement of the Loan. In effect, the asset value of the Company shall inevitably decrease and the rental income, approximately HK\$200,000 per year, shall also be gone. Nevertheless, the cash flow position of the Company will be largely improved this year.

Further announcements relating to the proceeding of the Loan shall be made as and when appropriate.

Investors and shareholders of the Company are reminded to exercise caution in dealing in the shares of the Company.

Made by the order of the Board, the directors of which individually and jointly accept responsibility for the accuracy of this statement.

By order of the Board
Chan Chun Choi
Chairman

Hong Kong, 18 May 2006

As at the date hereof, the Board comprises of Mr. Chan Chun Choi, Ms. Lu Su Hua, both of whom are executive directors, Mr. Ng Chi Shing, Mr. Yuen Kwok Wah, Bernard, and Mr. Lam Williamson, who are independent non-executive directors.

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