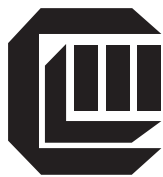


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# **VICTORY GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*  
(Stock Code : 1139)

## **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

### **Financial Adviser**



**GET NICE CAPITAL LIMITED**

### **Placing Agent**



**GET NICE INVESTMENT LIMITED**

The Company has on 21 June 2006 entered into the Placing Agreement with the Placing Agent to procure subscribers, on a fully underwritten basis, to subscribe for 25,800,000 new Shares at a price of HK\$0.14 per Share. The Placing Shares represent approximately 20% of the Company's existing issued share capital and approximately 16.67% of its issued share capital as enlarged by the Placing.

The Placing Price (i) equals to the closing price of the Shares of HK\$0.14 quoted on the Stock Exchange on 21 June 2006, being the date of the Placing Agreement; (ii) represents a discount of approximately 5.41% to the average closing price of the Shares of HK\$0.148 quoted on the Stock Exchange for the five consecutive trading days immediately prior to 21 June 2006; and (iii) represents a discount of approximately 6.67% to the average closing price of the Shares of HK\$0.15 quoted on the Stock Exchange for the ten consecutive trading days immediately prior to 21 June 2006.

The gross proceeds from the Placing will be approximately HK\$3.61 million. The Company plans to use the net proceeds from the Placing of approximately HK\$3.40 million as to (i) HK\$3 million for partial settlement of the Loan; and (ii) the balance of approximately HK\$0.40 million for general working capital of the Group.

The Placing is conditional upon the Stock Exchange granting listing of and permission to deal in the Placing Shares.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 22 June 2006 pending for the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 23 June 2006.

## **PLACING AGREEMENT DATED 21 JUNE 2006**

### **Issuer:**

The Company

### **Placing Agent and Placees:**

Get Nice Investment Limited is the Placing Agent, who does not own any Shares as at the date of this announcement and is not a connected person (as defined in the Listing Rules) of the Company and is independent from and not connected with the Company and its connected persons (as defined in Listing Rules).

The Placing Shares will be placed to not less than six Placees, being individuals, institutional or other professional investors, and who and whose ultimate beneficial owners will not be connected persons (as defined in the Listing Rules) of the Company and will be independent from and not connected with the Company and its connected persons (as defined in Listing Rules). It is expected that none of the Placees will become substantial shareholder of the Company immediately after the Placing.

### **Number of Placing Shares:**

25,800,000 new Shares representing approximately 20% of the Company's existing issued share capital and approximately 16.67% of its issued share capital as enlarged by the Placing. The total nominal value of the Placing Shares is amounted to HK\$2,580,000.

### **Placing Price:**

The Placing Price of HK\$0.14 per Share was agreed after arm's length negotiations between the Company and the Placing Agent. Such price (i) equals to the closing price of the Shares of HK\$0.14 quoted on the Stock Exchange on 21 June 2006, being the date of the Placing Agreement; (ii) represents a discount of approximately 5.41% to the average closing price of the Shares of HK\$0.148 quoted on the Stock Exchange for the five consecutive trading days immediately prior to 21 June 2006; and (iii) represents a discount of approximately 6.67% to the average closing price of the Shares of HK\$0.15 quoted on the Stock Exchange for the ten consecutive trading days immediately prior to 21 June 2006.

The net placing price for the Placing is approximately HK\$0.132 per Share.

The Directors consider that the Placing Price is fair and reasonable and in the interest of the Company and its shareholders as a whole.

### **Underwriting commission payable to the Placing Agent:**

The Placing is fully underwritten by the Placing Agent with underwriting commission calculated as 2% of the amount equal to the Placing Price multiplied by the number of the Placing Shares.

### **General Mandate:**

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on 15 May 2006. As at the date of this announcement, no Shares have been issued and allotted pursuant to such general mandate. The Placing will utilize approximately 100% of the 25,800,232 Shares that are allowed to be issued and allotted pursuant to this general mandate.

### **Ranking of Placing Shares:**

The Placing Shares will rank pari passu in all respects among themselves and with the existing issued Shares.

### **Condition of the Placing:**

The Placing is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all of the Placing Shares.

The condition must be fulfilled on or before 31 July 2006 (or such other date as agreed by the parties), failing which the Placing shall cease and terminate.

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Placing Shares.

**Completion:**

The Placing shall complete at not later than the second Business Day after the fulfillment of the condition of the Placing (or such later date as may be agreed between the parties to the Placing Agreement in writing).

**REASONS FOR THE PLACING AND USE OF PROCEEDS**

The Company's principal activities are investment holding. The principal activities of its subsidiaries consist of the marketing and distribution of automotive products and property holding for rental income purposes.

Reference is made to the Company's announcement dated 18 May 2006 (the "Announcement") in pursuant to Rule 13.09 of the Listing Rules in relation to the claim of the Loan by BOCHK. As disclosed in the Announcement, the Company and Mr. Chan, both are the guarantors of the Loan, had been served a sealed copy of the Writ on 18 May 2006 for the repayment of the Loan amounted to approximately HK\$12.9 million. The reason for the failure of repayment of the Loan is lack of sufficient cash flow generated from the Company's operations over years.

The Loan comprises bank overdraft of HK\$2.3 million and installment loan of HK\$10.6 million and is secured by the leasehold building and land of the Group. The bank overdraft is interest bearing at Hong Kong prime rate plus 10% per annum and was utilized as general working capital of the Group. The installment loan carries interest rate at Hong Kong prime rate plus 6% per annum and was also utilized as the Group's general working capital. Had the Company not defaulted in repayment of the Loan, the installment loan should have been repayable by monthly installment with maturity date in May 2015.

Since the date of the receipt of the Writ, the Company has started negotiation with BOCHK for possibilities of alternate settlement arrangements such as a partial settlement scheme or delay of settlement to an agreed term. Subsequently, a verbal alternate settlement arrangement has been reached between the Company and BOCHK in which BOCHK has agreed to re-arrange the Loan if the Company can repay part of the Loan of HK\$3 million as soon as practicable. As such settlement with BOCHK may save the time and legal costs to be incurred by the Company in processing the Writ and the Company will be in a better position to negotiate with BOCHK to restructure the remaining portion of the Loan of amounting to HK\$9.9 million, the Directors believe that it is in the interests of the Company and the Shareholders as a whole. As at the date of this announcement, the Company has not reached any agreement with BOCHK in restructuring the remaining portion of the Loan of HK\$9.9 million. Except for such negotiation with BOCHK, the Company does not have any other plan to deal with this remaining portion of the Loan.

However, the Company cannot generate sufficient internal resources to pay for the above amount of HK\$3 million. In view of the existence of the Writ, it is difficult for the Company to raise other bank or debt financing. Taking into account of these reasons and considering the lower costs and shorter time involved in the Placing when compared with other means of equity fund raising exercises such as rights issue or open offer, the Directors believe that the Placing is the most appropriate method. Moreover, the Directors expect that the Placing will enhance the capital base of the Company, thereby broadening the Company's shareholders base. Accordingly, they consider that the Placing is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Placing will be approximately HK\$3.61 million. The Company plans to use the net proceeds from the Placing (after deducting the underwriting commission and other expenses relating to the Placing) of approximately HK\$3.40 million as to (i) HK\$3 million for repayment to BOCHK as partial settlement of the Loan; and (ii) the balance of approximately HK\$0.40 million for general working capital of the Group.

## FUND RAISING DURING THE PAST 12 MONTHS

Description	Announcement date	Net Amount raised	Date of mandates granted	Intended use of proceeds as announced	Actual use of proceeds
Placing of 215,000,000 existing shares of the Company and top-up subscription of 215,000,000 new shares of the Company	22 September 2005	HK\$7.18 million	18 May 2005	HK\$5 million for settlement of part of the Group's bank borrowings and the balance of approximately HK\$2.18 million as general working capital of the Group	Fully utilized as intended

## SHAREHOLDING STRUCTURE

Shareholder	Immediately before completion of the Placing		Immediately after completion of the Placing	
	Number of Shares	%	Number of Shares	%
Eternal Victory Enterprises Inc. (Note 1)	11,037,758	8.56	11,037,758	7.13
Winsley Investment Limited (Note 2)	43,000,000	33.33	43,000,000	27.78
Public Shareholders:				
– The Placees	–	–	25,800,000	16.67
– Others	74,963,402	58.11	74,963,402	48.42
<b>Total</b>	<b><u>129,001,160</u></b>	<b><u>100.00</u></b>	<b><u>154,801,160</u></b>	<b><u>100.00</u></b>

### Notes:

1. Eternal Victory Enterprises Inc. (“EVEI”), a company incorporated in the 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 holds all the issued share of EVEI.
2. Winsley Investment Limited, a company incorporated in Hong Kong and is jointly controlled by Mr. Chan and Madam Lam Mo Kuen, Anna, the ex-wife of Mr. Chan.

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 22 June 2006 pending for the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 23 June 2006.

## DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“associate(s)”	has the meaning ascribed in the Listing Rules
“Board”	the board of Directors
“BOCHK”	Bank of China (Hong Kong) Limited
“Business Day”	any day (excluding a Saturday) on which banks generally open for business in Hong Kong
“Company”	Victory Group Limited, a company incorporated in Bermuda with limited liabilities, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	an outstanding debts and related interest accrued up to 28 April 2006 amounting to approximately HK\$12.9 million owed by Victory Motors Centre Limited, a wholly-owned subsidiary of the Company, to BOCHK
“Mr. Chan”	Mr. Chan Chun Choi, the chairman of the Board
“Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agent”	Get Nice Investment Limited, a deemed licensed corporation within the meaning of the SFO
“Placing Agreement”	a conditional placing agreement entered into between the Company and the Placing Agent dated 21 June 2006 in relation to the Placing
“Placing Price”	HK\$0.14 per Placing Share
“Placing Shares”	25,800,000 new Shares to be placed under the Placing
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Writ”	The Writ of Summons issued on 15 May 2006
“HK\$”	Hong Kong dollars
“%”	per cent.

By order of the Board  
**Victory Group Limited**  
**Chan Chun Choi**  
*Chairman*

Hong Kong, 22 June 2006

*As at the date of this announcement, the Board comprises Mr. Chan Chun Choi and Ms. Lu Su Hua as executive Directors, Mr. Ng Chi Shing, Mr. Yuen Kwok Wah, Bernard and Mr. Lam Williamson as independent non-executive Directors.*

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