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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 2012 ANNUAL GENERAL MEETING

A notice convening the 2012 annual general meeting of VICTORY GROUP LIMITED to be held at Fountains Room 1–2, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 11 July 2012 at 4:00 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, Tricor Tengis Limited at Level 28, Three Pacific Place, 1 Queen's Road East, 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 and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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DEFINITIONS

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

“2012 AGM”	the annual general meeting of the Company to be held at Fountains Room 1-2, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 11 July 2012 at 4:00 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, a company incorporated under the laws of Bermuda with limited liability and its shares are listed on the Stock Exchange
“Director(s)”	the director(s), including independent non-executive director(s), of the Company
“Latest Practicable Date”	8 June 2012, being the latest practicable date prior to the printing of this circular
“LED”	light-emitting diode
“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 \$0.001 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“\$” and “cents”	Hong Kong dollars and cents respectively



VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1139)

Executive Directors:

Chan Chun Choi

Lo So Wa Lucy (formerly known as Lu Su Hua)

Independent Non-Executive Directors:

Ip Ka Keung

Lam King Hang

Cheung Man Fu

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business:

Suite 1609, New East Ocean Centre

9 Science Museum Road

Tsimshatsui East, Kowloon

Hong Kong

11 June 2012

To Shareholders

Dear Sir or Madam,

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE NEW SHARES
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF 2012 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 2012 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 Directors as Directors.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the issued share capital of the Company comprised 859,146,438 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 171,829,287 Shares, representing 20% of the issued share capital of the Company. Subject to the passing of the resolution for issuing new Shares on 2012 AGM, the Directors would be authorized to issue up to 171,829,287 new Shares during the period up to the next annual general meeting in year 2013 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.

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 to be proposed at the 2012 AGM.

1. GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 3 June 2011, 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 2012 AGM. It is therefore proposed to seek your approval of an ordinary resolution to be proposed at the forthcoming 2012 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 859,146,438 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

LETTER FROM THE BOARD

85,914,643 Shares during the period up to the next annual general meeting in year 2013 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.

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 purchased.

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 2011) 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.

LETTER FROM THE BOARD

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 enquires, 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 Takeovers 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 Takeovers 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 Takeovers Code.

As at the Latest Practicable Date, Mr. Chan, Eternal Victory Enterprises Inc. ("EVEI") and Winsley Investment Limited ("Winsley") are the substantial shareholders of the Company. Mr. Chan holding 408,931,695 shares, representing 47.60% of the entire issued share capital of the Company. EVEI, holding 32,843,457 Shares, representing 3.82% 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 202,575,000 Shares, representing 23.58% of the entire issued share capital of the Company, is a company incorporated in Hong Kong and is jointly controlled by Mr. Chan approximately 98%, Mr. Chan's wife, Ms. Lo So Wa Lucy (formerly known as Lu Su Hua) approximately 1%, and Mr. Chan Kingsley Chiu Yin approximately 1%, who is the son 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 83.33%. 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 Takeovers 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%.

LETTER FROM THE BOARD

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.

Market Prices

Trading in the Share on the Stock Exchange has been suspended since 27 September 2006 until further notice. The table below sets out the closing price of the Shares as quoted on the Stock exchange on (i) the last trading day of each of the calendar month during the period between June 2011 and ending on the Latest Practicable Date; (ii) the effective date of Capital Reorganisation; and (iii) the first day of ex-entitlement of the Open Offer:

Month	Closing price per Share HK\$
30 June 2011	0.149
29 July 2011	0.149
31 August 2011	0.149
30 September 2011	0.149
31 October 2011	0.149
30 November 2011	0.149
30 December 2011	0.149
31 January 2012	0.149
29 February 2012	0.149
30 March 2012	0.149
30 April 2012	0.149
14 May 2012 (Effective date of Capital Reorganisation)	2.980
15 May 2012 (First day of ex-entitlement of the Open Offer)	0.156
31 May 2012	0.156
Latest Practicable Date	0.156

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the aforementioned period were HK\$0.149 and HK\$2.980 respectively.

LETTER FROM THE BOARD

2. RE-ELECTION OF RETIRING DIRECTOR

In accordance with clause 86(2) and 87(1), respectively of the Company's bye-laws, Mr. Cheung Man Fu and Ms. Lo So Wa Lucy (formerly known as Lu Su Hua), shall retire from offices at the 2012 AGM and shall be eligible and offer themselves for re-election. Details of the aforesaid retiring Director proposed for re-election at the 2012 AGM are set out in the Appendix of this circular.

3. ANNUAL GENERAL MEETING

The notice convening the 2012 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 2012 AGM enclosed with this circular.

According to rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the AGM will be taken by way of poll.

RESOLUTIONS TO BE PROPOSED AT THE 2012 AGM

The ordinary resolution 2 to be proposed at the 2012 AGM relates to the re-election of the retiring Director.

The ordinary resolution 4 to be proposed at the 2012 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 2012 AGM relates to the granting of the Repurchase Mandate to the Directors.

The ordinary resolution 6 to be proposed at the 2012 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.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the opinion that the Repurchase Proposal, the general mandate to issue new Shares, and the re-election of the retiring Director are in the best interests of the Company and its Shareholders and recommend that Shareholders vote in favour of all the ordinary resolutions to be proposed at the forthcoming 2012 AGM.

Yours faithfully,
Chan Chun Choi
Chairman and Managing Director

The following are the particulars of the retiring Director eligible for re-election at the 2012 AGM:

Mr. Cheung Man Fu

Aged 39, graduated from the Wu Yi University, Jiangmen, PRC with a Bachelor of Science degree in Electronics Engineering. He is currently engaged in, inter alia, auto mechanics and LED businesses for over 15 years.

Mr. Cheung has entered into a service contract with the Company and the Board agreed that the remuneration of Mr. Cheung is HK\$100,000 per annum for a term of two years, which shall be deemed to accrue on a day to day basis. Payable annually in arrears or in the manner as mutually agreed between the Board and Mr. Cheung.

Save as disclosed above, Mr. Cheung:

- (a) did not hold any directorships in other listed public company in the last three years;
- (b) as at the date of this circular, is not interested in and does not hold any short position in any shares or underlying shares in or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Future Ordinance;
- (c) save as disclosed herein, there is no information to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules relating to his appointment as an independent non-executive director of the Company; and
- (d) is not connected with any directors, senior management or substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company.

Ms. Lo So Wa Lucy

Aged 42, formerly known as Ms. Lu Su Hua, graduated from the Beijing Foreign Studies University in 1999, and in 2003. Ms. Lo obtained her Master of Business Administration (MBA) degree from the University of Ballarat in Australia. She joined AE Optoelectronics Technologies (GD) Ltd., a company primarily engaged in LED business, as a deputy general manager for three years. Ms. Lo was appointed an executive director of the Company on 6 October 2003. As at the Latest Practicable Date, Ms. Lo is deemed to be interested in the Shares in which her spouse, Mr. Chan Chun Choi, an executive Director, is interested in the Company has been disclosed in the above section title "Effect of Takeover Code". Ms. Lo did not act as a director in any other listed public company in the last three years. Ms. Lo is entitled to emoluments in the amount of HK\$100,000 per year. There is no additional disclosure for Ms. Lo under Rules 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL GENERAL MEETING



VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1139)

NOTICE IS HEREBY GIVEN that the 2012 annual general meeting of Victory Group Limited (the “**Company**”) will be held at Fountains Room 1–2, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 11 July 2012 at 4:00 p.m. to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements and reports of the directors (the “**Directors**”) and auditors of the Company for the year ended 31 December 2011;
2. to re-elect Directors and to authorise the board of Directors to fix the Directors’ remuneration;
3. to re-appoint auditors and to authorise the board of Directors to fix their 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 authorization 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

NOTICE OF ANNUAL GENERAL MEETING

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

- (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 authorization 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

NOTICE OF ANNUAL GENERAL MEETING

passing of this Resolution, and the authority granted pursuant to paragraph 5(a) shall be limited accordingly; and

(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.”

By the order of the Board
Victory Group Limited
Chan Chun Choi
Chairman and Managing Director

Hong Kong, 11 June 2012

NOTICE OF ANNUAL GENERAL MEETING

Head office and principal place of business in Hong Kong:

Suite 1609, New East Ocean Centre
No. 9 Science Museum Road
Tsimshatsui East, Kowloon
Hong Kong

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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 of members of the Company 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 certified copy of such power of authority, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 28, Three Pacific Place, 1 Queen's Road East, 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. Lo So Wa Lucy (formerly known as Ms. Lu Su Hua) as executive directors; Mr. Cheung Man Fu, Mr. Ip Ka Keung and Dr. Lam King Hang as independent non-executive directors.