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VICTORY GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 1139)

**THE STOCK EXCHANGE'S NOTICE TO SUSPEND TRADING IN THE
COMPANY'S SHARES AND FIRST DELISTING STAGE**

This announcement is made by Victory Group Limited (the "Company" and its subsidiaries collectively referred to as the "Group") pursuant to Rule 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**THE STOCK EXCHANGE'S NOTICE TO SUSPEND TRADING IN THE
COMPANY'S SHARES AND FIRST DELISTING STAGE**

The Company has received a letter dated 4 August 2017 from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Letter"), which serves as a notice pursuant to Practice Note 17 of the Listing Rule, that the Stock Exchange has decided to suspend trading in the Company's shares under Rule 6.01(3) and place the Company in the first delisting stage (the "Decision").

The Letter states that in arriving at the Decision, the Stock Exchange has considered, among others, the following:

Scale of operations

1. The trading of second-hand motor vehicles (Second-hand Vehicles Business) and the money lending business (Money Lending Business) are the Group's original principal businesses. With them, the Company has had a very low level of operations as reflected in its published financial results:
 - (a) The two businesses generated total revenues of only HK\$4.9 million in 2016. The revenue was insufficient to cover the Group's costs and expenses, resulting in net loss and negative operating cash flow.

(b) The low level of business operations does not appear to be a temporary downturn, given the continued deterioration in level or revenue in the last few years. In particular, the Second-hand Vehicles Business has decreased significantly from HK\$71.7 million in 2012 to HK\$1.7 million in 2016 and has been making loss since 2013. The Money Lending Business (commencing in 2014) generated revenue of only HK\$3.3 million in 2015 and 2016 each with a minimal segment profit.

In these circumstances, there is a serious question about the viability and sustainability of the Second-hand Vehicles Business and the Money Lending Business.

2. As at 31 December 2016, the Second-hand Vehicles Business and the Money Lending Business were operated by 8 employees only. The Company anticipates that the unfavourable economic and market conditions that have led to the significant reduction in the Second-hand Vehicles Business would continue to adversely affect the segment, and that the Money Lending Business will continue to generate stable revenue.
3. In July 2017, the Company commenced a new business (the New Vehicles Business) involving wholesale distribution of new branded motor vehicles in the PRC following relaxation of the PRC regulation on sales of motor vehicles. The new policy allows sales of motor vehicle need not authorization by the brand holder which let the Company can import any brand of motor vehicle to PRC. It is noted that:
 - (a) The business model of the New Vehicles Business is different from that of the Second-hand Vehicles Business and the Company has no track record under this new model. The New Vehicles Business appears to rely on trading transactions with a small number of suppliers and customers on an indent basis, which involves a low level of activities, and limited value added by the Company.
 - (b) The development of the New Vehicles Business is very preliminary and the scale of operation is very small.
 - So far, only four contracts of about HK\$35 million have been entered into with two customers by the Company. Based on the profit margin of 1.5% to 3%, the profit to be generated is HK\$0.5 million to 1 million only.
 - The Company has made a revenue projection of HK\$150 million for 2018. However, the profit to be generated would only be up to around HK\$4.5 million (based on the profit margin of 3%). This forecast is based an assumption the Company would be able to increase by 5 vehicles for every 6 months. Such assumption is unsubstantiated, particularly in the absence of any track record of the New Vehicles Business. In any case, the projected revenue and profits are relatively minimal and may not be sufficient to cover the Company's expenses. The Company expects that it would only be able to return to a profitable position in 2020 with more

stringent cost control.

Assets

4. As of 31 December 2016, the Group's total assets were about HK\$56.6 million only. The level of inventories and the amount of loan and interest receivables were approximately HK\$5.3 million and HK\$13.1 million, respectively. As noted above, these assets did not generate sufficient revenue and profits to ensure the Company to have a viable and sustainable business. It has not provided any information to demonstrate that its assets will enable it to substantially improve its operations and financial performance. The Company has failed to demonstrate that it has assets of sufficient value to warrant the continued listing of its shares.

Pursuant to the Letter, in view of the Decision, the Company is required to submit a resumption proposal to demonstrate that it has a sufficient level of operations or assets as required by Rule 13.24 at least 10 business days before the expiry of the first delisting stage (i.e. 22 January 2018). The proposal must be clear, plausible and coherent, and contain sufficient details (including forecasts and clear plan for future business development) for the Stock Exchange assessment. The Company must demonstrate that its business model is viable and sustainable. The proposal should also comply with the Listing Rules and all applicable laws and regulations.

Under Rule 2B.08(1), the Company has the right to have this ruling reviewed by the Listing Committee. The Company is still in the process of reviewing the Letter and is discussing the same with the Company's legal and financial advisers, and would actively consider lodging a review request for the ruling be referred to the Listing Committee for review.

The Directors would remind the Shareholders and potential investors that (i) the Company may or may not proceed with the review by the Listing Committee; and (ii) the outcome of such review is uncertain, if undertaken. Further announcements will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules. Shareholders of the Company who have any queries about the implications of the Stock Exchange's notice to cancel the Company's listing are advised to obtain appropriate professional advice.

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

Hong Kong, 4 August 2017

As at the date of this announcement, the Board comprises Mr. Chan Chun Choi, Mr. Chan Kingsley Chiu Yin and Ms. Lo So Wa Lucy (formerly known as Lu Su Hua) as executive directors; Mr. Ip Ka Keung, Dr. Lam King Hang and Mr. Cheung Man Fu as independent non-executive directors.