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VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1139)

ANNOUNCEMENT

VERY SUBSTANTIAL ACQUISITION

THE AGREEMENT

The Board announces that on 17 August 2010, the Company and the Vendors entered into the Agreement pursuant to which the Company conditionally agreed to purchase and the Vendors conditionally agreed to jointly sell the Sale Equity, representing the entire registered capital of the Target Company, at an aggregate consideration of HK\$70,000,000. The Consideration shall be satisfied by the Company allotting and issuing the Consideration Shares, credited as fully paid, to the Vendors on Completion.

LISTING RULES IMPLICATION

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As the Acquisition forms part of the resumption proposal, Shareholders who have interest in other transactions under the resumption proposal will abstain from voting in the SGM.

A circular containing, among other things, further details of the Acquisition and a notice of SGM will be sent to Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and investors should note that the Company is currently in third stage of delisting procedures under PN17 of the Listing Rules. The Acquisition forms part of the Company's resumption proposal which may or may not be approved by the Stock Exchange. The issuance of this announcement does not mean that the trading in the Shares will be resumed. Trading in the Shares was suspended on 27 September 2006 and will continue to be suspended until further notice.

Shareholders and investors should also note that the transactions contemplated under the Agreement may constitute a "reverse takeover" under Rule 14.06(6) of the Listing Rules.

THE AGREEMENT

Date: 17 August 2010

Parties: Purchaser: the Company

Vendors: Zhao Shujie, Shenzhen Yechen Investment Co. Ltd., Wang Qiaoli, Ran Jin, Guo Chuanyoong, Liu Hanlin, Huang Yiwen, Chen Yanshun and Yan Dalin, the legal and beneficial owners of the Target Company as to 29.7577%, 21.6608%, 18.6505%, 9.6194%, 8.8581%, 7.6125%, 2.8720%, 0.6920% and 0.2768%, respectively. Each of them is an Independent Third Party.

To the best of information, knowledge and belief of the Directors having made all reasonable enquiries, the Vendors are principally engaged in investment in the Target Company.

There were no prior transactions between the Company and any of the Vendors and their associates in the past 12 months prior to the date of the Agreement which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

Assets to be acquired

Sale Equity, representing the entire interest in the issued and paid-up registered capital of the Target Company.

Consideration and payment terms

The Consideration of HK\$70,000,000 was arrived at after arms' length negotiations among the parties to the Agreement on normal commercial terms by reference to: (i) the audited net assets of the Target Company RMB51,406,000 for the year ended 31 December 2009; (ii) the Consideration will be fully paid by way of allotment of Shares which enables the Group to maintain sufficient cash flow for general working capital and future expansion; and (iii) the audited net profit after tax of the Target Company of RMB10,346,000 for the year ended 31 December 2009; and (iv) the LED business of the Target Company that will compliment to the existing business of the Group.

In view of the above, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

400,000,000 Consideration Shares to be allotted and issued at the Issue Price represent, (i) approximately 258.40% of the existing share capital of the Company; and (ii) approximately 16.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and after the Restructuring becoming effective.

The Issue Price of HK\$0.175 per Share represents a premium of approximately 17.45% to the closing price of the Share as quoted on the Stock Exchange as at the Last Trading Day. The Issue Price was determined based on arm's length negotiations between the parties. Taking into account that the Agreement was on normal commercial terms as mentioned, the Directors consider that the Issue Price is fair and reasonable.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought at the SGM to the Vendors pro rata to their interest in the Target Company. The Consideration Shares when, allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of the allotment and issue of the Consideration Shares. There is no restriction on the subsequent sale of the Consideration Shares.

Application for Listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The granting of listing approval for the Consideration Shares is conditional upon resumption of trading in the Shares.

Conditions precedent

Completion is subject to each of the following conditions being satisfied in all respects:

- (i) the passing by the Shareholders of a resolution to approve the Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (ii) the Stock Exchange not deeming (a) the transactions contemplated under the Agreement as a "reverse takeover" under Rule 14.06(6) of the Listing Rules and/or (b) the Company as a new listing applicant under Rule 14.54 of the Listing Rules;
- (iii) the Restructuring having been completed in all respect.
- (iv) the Company undertaking a due diligence investigation in respect of the Target Group including but not limited to the affairs, business, assets, results, legal and financing structure of the Target Group and the Company being in its absolute discretion satisfied with the results of such due diligence investigation;

- (v) all Consents of the Stock Exchange and the Securities and Futures Commission (if necessary) and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, the PRC and Bermuda or elsewhere which are required or appropriate for the entering into and the implementation of this Agreement having been given or made; all waiting periods required under the laws of Hong Kong, the PRC, Bermuda or any other relevant jurisdictions having expired or terminated; and all applicable statutory or other legal obligations having been complied with;
- (vi) receipt by the Company of a legal opinion in form and substance satisfactory to the Company issued by a practising lawyer in the PRC confirming:
 - (a) the due incorporation, valid and continued existence of the Target Company (including payment of its registered capital in accordance with the PRC laws and their respective articles of association, to the extent required);
 - (b) all reasonably relevant approvals, consents, licenses and/or permits in relation to the transaction contemplated under the Agreement, including without limitation from the PRC Foreign Exchange Bureau, Industry and Commerce Bureau and the Ministry of Commerce, having been obtained;
 - (c) completion of all the legal procedures in respect of changing the legal status of the Target Company from a PRC domestic limited liability company to a wholly foreign-owned enterprise in full compliance with PRC laws; and
 - (d) the legality, validity and enforceability of all the licenses, permits and consents necessary for carrying out the business of the Target Group in the PRC after Completion;
- (vii) no event having occurred since the date of the Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Company and such material adverse effect shall not have been caused; and
- (viii) the warranties in the Agreement remaining true, accurate and correct in all material respects; and
- (ix) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares.

If the above conditions have not been fulfilled on or before 5:00 p.m. on the Long Stop Date (or such later date as the Vendors and the Company may agree in writing) or following the fulfilment of the conditions, the Vendors or the Company shall fail to complete the sale and purchase of the Sale Equity in accordance with the terms and conditions contained in the Agreement and the Company gives notice to terminate the Agreement, the Agreement shall thereupon terminate and neither party shall thereafter have further claims against the other under the Agreement for costs, damages compensation or otherwise, save for antecedent breaches.

Completion

Completion of the Agreement will take place within 3 Business Days after the fulfilment of the last of the conditions precedent or at such other time as the parties may agree upon which the Vendors shall jointly transfer their respective interest in the Target Company to the Company or its nominee and the Company shall allot and issue the relevant number of Consideration Shares to the Vendors, credited as fully paid.

After Completion, the Target Company will become a wholly-owned subsidiary of the Company. The financial statements of the Target Company will be consolidated in the accounts of the Group after Completion.

INFORMATION ON THE TARGET GROUP

The Target Company is a company established in the PRC on 23rd December, 1998 and the Target Group carries on the business of research, development, manufacture, sale and installation of LED screen and facade lighting products. The Target Group had in 2007 and 2008 also carried on the business of installation services of LED screens and facade lighting. Other than installation of LEDs onto cars after their manufacture, the LEDs can be sold to manufacturers, dealers, agents and car repair shops. Other LEDs manufactured and not installed in cars can be sold to a variety of end users for use in building lights and decoration.

According to the management of the Target Company, the Target Group has more than 20 LED related patents to contribute to its business. Approximately 50% of their LED products were shipped to customers engaged in the production of LED lights in motor cars; approximately 40% shipped to customers engaged in the production of LED screens; and the remaining 10% to customers engaged in the production of facade lighting.

The Target Company is the principal display engineer of the Beijing Olympic National Stadium and the National Aquatic Centre. The Target Company has promoted itself through trade shows, magazines, and other public media and focused mainly on large trade shows in the LED industry. In recent years, the Target Company has participated in various well-known national exhibitions such as the China International Optoelectronic Exposition, China Hi-Tech Fair, Sports Goods Expo, International Optoelectronic Expo and international exhibition such as Middle East Advertising Printing Exhibition, Hong Kong Electronics Fair, and Russia Power-Exhibition. The Target Company is one of the first batches of companies in this industry in the PRC to obtain the International Organization for Standardization 9001 for its quality management system and the Intentional Organization for Standardization 14000 for its effective environmental management system with respect to the products.

In order for the Target Company to adapt to the rapid market competitions and growth, the Target Company invested RMB 300,000,000 to further build a new factory in Hunan in order to expand its production capacity. The first phase was completed in December 2009 and was formally put into production. The production capacity has reached an annual output of 3,000,000 square meters of LED display and 1,000,000 of LED lights. Currently, the factory in Shenzhen has a size of around 2,372 square meters. After the factory in Hunan has been completed, there will be a workshop of 10,000,000 square meters, with more than 1,000 employees, and will have an expected annual turnover of RMB 1,000,000,000.

EFFECT ON SHARHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company: (a) as at the date of this announcement; (b) upon the Capital Reorganisation becoming effective; (c) upon the Restructuring becoming effective; and (d) upon Completion:

	As at the date of this announcement		Upon Capital Reorganisation becoming effective		Upon Restructuring becoming effective		Upon Completion	
	Shares	%	Consolidated Shares	%	Consolidated Shares	%	Consolidated Shares	%
Chan Chun Choi (<i>Note 1</i>)	43,337,758	28.0	8,667,552	28.0	1,212,537,581	62.0	1,212,537,581	51.44
Public:								
Placee(s) and holders of the Warrants (<i>Note 2</i>)	-	-	-	-	722,322,017	36.9	722,322,017	30.64
Vendors							400,000,000	16.97
Existing Shareholder	111,463,402	72.0	22,292,780	72.0	22,292,780	1.1	22,292,780	0.95
Sub-total	111,463,402	72.0	22,292,780	72.0	744,614,797	38.6	1,144,614,797	48.56
Total	154,801,160	100.0	30,960,332	100.0	1,957,152,378	100.0	2,357,152,378	100.0

Notes:

1. Mr. Chan Chun Choi is an executive Director and the Chairman of the Company.
2. The placees under the Proposed Open Offer and assuming that the holders of the Warrants have exercised the subscription rights attaching thereto in full.

FINANCIAL INFORMATION

Set out below is the audited consolidated financial information of the Target Company for the three years ended 31 December, 2007, 31 December, 2008, and 31 December, 2009 (which were prepared in accordance with Hong Kong Generally Accepted Accounting Principles):

	For the year ended 31 December, 2007 (audited) (RMB,000)	For the year ended 31 December, 2008 (audited) (RMB,000)	For the year ended 31 December, 2009 (audited) (RMB,000)
Turnover	52,060	71,298	85,346
Net profit before tax	(4,066)	2,720	12,032
Net profit after tax	(4,249)	2,691	10,346
Net assets	21,469	33,060	51,406
Total assets	71,760	105,768	145,903

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Company during the last few years have been in the provision of installation services of LED screen and facade lighting and marketing and distribution of automotive products.

The Directors believe that the LED business is good compliment to the Group's current business. In particular, as more and more cars are using LEDs, the LEDs manufactured by the Target Group can also be installed in the second hand cars sold by the Group. Other than installation of LED onto cars, the LEDs manufactured by the Target Group can also be sold to manufacturers, dealers, agents and car repair shops.

The Directors consider that the terms and conditions of the Agreement are fair and reasonable and on normal commercial terms and that the Acquisition is in the best interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As the Acquisition forms part of the resumption proposal, Shareholders who have interest in other transactions under the resumption proposal will abstain from voting in the SGM

Shareholders and investors should note that the transactions contemplated under the Agreement may constitute a "reverse takeover" under Rule 14.06(6) of the Listing Rules.

GENERAL

A SGM will be convened at which ordinary resolution(s) will be proposed to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Acquisition and a notice of SGM will be sent to Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and investors should note that the Company is currently in third stage of delisting procedures under PN17 of the Listing Rules. The Acquisition forms part of the Company's resumption proposal which may or may not be approved by the Stock Exchange. The issuance of this announcement does not mean that the trading in the Shares will be resumed. Trading in the Shares was suspended on 27 September 2006 and will continue to be suspended until further notice.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Acquisition”	the acquisition of the Sale Equity under the Agreement and all the transactions contemplated thereunder
“Agreement”	the conditional sale and purchase agreement dated 17 August 2010 and entered into among the Company and the Vendors in respect of the Acquisition
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Victory Group Limited, a company incorporated in Bermuda and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Agreement in accordance with the terms thereof
“Consent”	any licence, consent, approval, authorisation, permission, waiver, order or exemption
“Consideration”	HK\$70,000,000, being the consideration payable by the Company to the Vendors for the Sale Equity under the Agreement
“Consideration Shares”	the new shares of the Company to be allotted and issued at the Issue Price subject to completion of the Restructuring
“Capital Reorganisation”	the capital reorganisation to be implemented by the Company whereby: (a) five existing ordinary Share(s) of HK\$0.10 each shall be consolidated into one Consolidated Share; (b) the par value of each Consolidated Share will be reduced from HK\$0.50 to HK\$0.01 by the cancellation of HK\$0.49 of the paid-up capital on each Consolidated Share; and (c) increase in authorised share capital of the Company
“Consolidated Share”	ordinary shares of HK\$0.01 each in the share capital of the Company after the Capital Reorganisation becoming effective

“Directors”	directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Group and its connected persons (as defined under the Listing Rules)
“Issue Price”	HK\$0.175 per Consideration Share
“Last Trading Day”	27 September 2006, being the last trading day of the Shares immediately before the date of the Agreement
“LED”	light-emitting diodes
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December, 2010
“PN17”	Practice Note 17 of the Listing Rules
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Proposed Issue of New Shares”	the proposed issue of 1,000 million new Consolidated Shares to Mr. Chan Chun Choi, the Chairman of the Company, with 203,870,029 Warrants
“Proposed Placing”	the proposed placing of 600 million new Consolidated Shares at the subscription price of HK\$0.05 per Consolidated Share, with 122,322,017 Warrants
“Restructuring”	collectively the Capital Reorganisation, Proposed Issue of New Shares and Proposed Placing
“Sale Equity”	the interest in the entire issued and paid-up registered capital of the Target Company
“Shares”	ordinary shares of HK\$0.10 each in the existing share capital of the Company

“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, inter alia, the Agreement and the transaction contemplated thereunder
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shenzhen Sansun Hi-Tech Co. Ltd., a company incorporated in the PRC and wholly-owned by the Vendors
“Target Group”	the Target Company and its subsidiaries from time to time
“Vendors”	collectively Zhao Shujie, Shenzhen Yechen Investment Co. Ltd., Wang Qiaoli, Ran Jin, Guo Chuanyoong, Liu Hanlin, Huang Yiwen, Chen Yanshun and Yan Dalin and each a “Vendor”. Each of the Vendors is an Independent Third Party
“Warrants”	unlisted warrants to be issued by the Company entitling the holders (or any person which subsequently becomes a registered holder thereof) to subscribe for 326,192,046 Consolidated Shares at an initial subscription price of HK\$0.05 per Consolidated Share (subject to adjustment)
“%”	per cent

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

Hong Kong, 2 September, 2010

As at the date of this announcement, the Board comprises Mr. Chan Chun Choi and Ms. Lu Su Hua as executive directors; Mr. Leung Wai Tat, Henry, Ms. Leung Wai Kei, Mr. Ip Ka Keung and Mr. Lam King Hang, as independent non executive directors.