

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker, a licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Victory Securities (Holdings) Company Limited (the "Company"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Victory Securities (Holdings) Company Limited 勝利證券(控股)有限公司 (Incorporated in the Cayman Islands with limited liability) (Stock Code: 8540)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Independent Financial Adviser to the Independent Board Committee
and to the Independent Shareholders



A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 to 17 of this circular, and a letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 35 of this circular.

A notice convening the extraordinary general meeting (the "EGM") of the Company to be held at 2:00 p.m. on Monday, 28 December 2020 at Room 1101-03, 11th Floor, Yardley Commercial Building, 3 Connaught Road West, Hong Kong is set out on pages 41 to 42 of this circular. A form of proxy for use by the shareholders at the EGM is enclosed.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.victorysec.com.hk).

PRECAUTIONARY MEASURES FOR PHYSICAL ATTENDANCE AT THE EGM

Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including, without limitation:

- (i) all attendees being required to (a) undergo compulsory body temperature check. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) wear surgical masks prior to admission to the EGM venue and throughout the EGM inside the EGM venue;
- (iii) each attendee being required to submit a Health Declaration Form including whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine or compulsory testing. Anyone who responds positively to any of these questions may be denied entry into the EGM venue or be required to leave the EGM venue;
- (iv) each attendee being assigned a designated seat at the time of registration to ensure social distancing; and
- (v) no provision of refreshments or drinks.

The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the EGM (if any).

For the health and safety of EGM attendees, the Company would encourage Shareholders to exercise their right to vote by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“associate(s)” or “close associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Brokerage and Financing Services Agreement(s)”	the separate agreement(s) dated 5 November 2020 entered into between Victory Securities (HK) and (i) Ms. Kou; and (ii) Mr. Chan in relation to provision of securities brokerage services and financing services to Ms. Kou’s Group and Mr. Chan’s Group, respectively
“Company”	Victory Securities (Holdings) Company Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, whose Shares are listed on the GEM
“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“DTTKF”	Dr. TT Kou’s Family Company Limited, a Controlling Shareholder and is owned by Ms. Kou, Mr. Chan, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan and Mr. Ko Yuen Fai with 75.57%, 14.05%, 6.81%, 2.67% and 0.90%, respectively
“EGM”	the extraordinary general meeting of the Company to be convened to consider, if thought fit, approve the Brokerage and Financing Services Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps), or any adjournment thereof (as the case may be)
“Existing Financing Annual Caps”	the Non-IPO Financing Annual Caps, IPO Financing Annual Caps and the aggregated amounts of the Non-IPO Financing Annual Caps and IPO Financial Annual Caps for Ms. Kou’s Group (including Mr. Chan) as stipulated under the Existing Financing Service Agreement

DEFINITIONS

“Existing Financing Service Agreement”	the financing service agreement entered into between Victory Securities (HK) and Ms. Kou on 14 June 2018
“Existing Interest Annual Caps”	the maximum annual amounts of the Interest Annual Caps for Ms. Kou’s Group (including Mr. Chan) as stipulated under the Existing Financing Service Agreement
“Financing Annual Caps”	the maximum aggregated amounts of the non-IPO financing and IPO financing services (i.e. the aggregated amounts of the Non-IPO Financing Annual Caps and IPO Financing Annual Caps) for Ms. Kou’s Group and Mr. Chan’s Group from 1 January 2021 to 31 December 2023
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in respect of the Brokerage and Financing Services Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps)
“Independent Financial Adviser” or “Halcyon Capital”	Halcyon Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Brokerage and Financing Services Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps)
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM in respect of the Brokerage and Financing Services Agreements under the GEM Listing Rules

DEFINITIONS

“Independent Third Parties”	third parties independent of the Group and its connected persons
“Interest Annual Caps”	the maximum annual interest charges in respect of non-IPO financing and IPO financing
“IPO”	initial public offering
“IPO Financing Annual Caps”	the annual maximum daily outstanding amounts of IPO financing
“Latest Practicable Date”	2 December 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
“Mr. Chan”	Mr. Chan Pui Chuen, the executive Director, deputy chief operating officer of the Company and the son of Mr. Chan Ying Kit and Ms. Kou
“Mr. Chan’s Group”	Mr. Chan and his associates (excluding those persons under Ms. Kou’s Group)
“Ms. Kou”	Ms. Kou Kuen, the executive Director, chief executive officer of the Company, one of the Controlling Shareholders, the spouse of Mr. Chan Ying Kit, a non-executive Director, and the mother of Mr. Chan
“Ms. Kou’s Group”	Ms. Kou and her associates
“Non-IPO Financing Annual Caps”	the annual maximum daily outstanding amounts of non-IPO financing
“Proposed Annual Caps”	the respective annual caps for each of the Financing Annual Caps and the Interest Annual Caps from 1 January 2021 to 31 December 2023 as stipulated in the Brokerage and Financing Services Agreements
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	has the meaning ascribed thereto under the GEM Listing Rules
“Victory Securities (HK)”	Victory Securities Company Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities (as defined under the SFO), and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

LETTER FROM THE BOARD



Victory Securities (Holdings) Company Limited

勝利證券(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8540)

Executive Directors:

Ms. Kou Kuen

Mr. Chiu Che Leung, Stephen

Mr. Chan Pui Chuen

Non-executive Director:

Mr. Chan Ying Kit (*Chairman*)

Independent non-executive Directors:

Mr. Ying Wing Ho Peter

Mr. Liu Chun Ning Wilfred

Dr. Yan Ka Shing

Registered office:

Second Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

*Principal place of business
in Hong Kong:*

Room 1101-03, 11th Floor
Yardley Commercial Building
3 Connaught Road West
Hong Kong

4 December 2020

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcements dated 5 November 2020 and 30 November 2020. Among other things, Victory Securities (HK), an indirect wholly owned subsidiary of the Company, has entered into the Brokerage and Financing Services Agreements. Since Ms. Kou is the executive Director, chief executive officer of the Company and one of the Controlling Shareholders of the Company and Mr. Chan is the executive Director and one of the Controlling Shareholders, Ms. Kou and Mr. Chan are connected persons of the Company. Accordingly, the transactions contemplated under the Brokerage and Financing Services Agreements constitute continuing connected transactions for the Company under the GEM Listing Rules.

LETTER FROM THE BOARD

On 14 June 2018, Victory Securities (HK) entered into the Existing Financing Service Agreement with Ms. Kou in respect of the financing services provided by Victory Securities (HK) to Ms. Kou's Group (including Mr. Chan) for a term of three years ending 31 December 2020. As the Existing Financing Service Agreement will expire on 31 December 2020, Victory Securities (HK) has entered into the Brokerage and Financing Services Agreements on 5 November 2020, pursuant to which Victory Securities (HK) will continue to provide financing services for a term of three years ending 31 December 2023. Reference is made to the disclosures as set out in the section headed "Connected Transactions" in the prospectus of the Company dated 30 June 2018. Victory Securities (HK) entered into, among other things, the Existing Financing Service Agreement for the provision of the financing services to Ms. Kou's Group (including Mr. Chan) as all of Mr. Chan and his associates were also under Ms. Kou's Group at the material time. Therefore, no separate financing service agreement was entered into with Mr. Chan. Following Mr. Chan's marriage in the fourth quarter of 2020, the group of Mr. Chan and his associates would be different than that of Ms. Kou and her associates. Accordingly, Victory Securities (HK) entered into a separate Brokerage and Financing Services Agreement with Mr. Chan for the provision of the brokerage and financing services to Mr. Chan's Group.

The purpose of this circular is to provide you with information in respect of, among other things, (i) details of the Brokerage and Financing Services Agreements; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders on the terms of the Brokerage and Financing Services Agreements (including the Proposed Annual Caps); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Brokerage and Financing Services Agreements and the Proposed Annual Caps; and (iv) the notice of the EGM.

BROKERAGE AND FINANCING SERVICES AGREEMENTS

The major terms of the Brokerage and Financing Services Agreements in relation to the financing services are set out below:

Date: 5 November 2020

Parties: Victory Securities (HK) separately entered into Brokerage and Financing Services Agreements with:

(i) Ms. Kou; and

(ii) Mr. Chan.

Ms. Kou and Mr. Chan are the Directors and one of the Controlling Shareholders.

LETTER FROM THE BOARD

- Subject:** Victory Securities (HK) will provide (i) non-IPO financing services; and (ii) IPO financing services to Ms. Kou and Mr. Chan (where applicable, including their respective associates), which Ms. Kou and Mr. Chan (where applicable, including their respective associates) will in return pay interest charges on the financing amounts to Victory Securities (HK).
- Term:** From 1 January 2021 to 31 December 2023
- Pricing:** The interest rates charged on the financing amounts is determined with reference to (i) the prime rate plus 2% per annum or above in respect of non-IPO financing services, and (ii) the interest rate quoted from borrowing banks of the Group with an additional rate of 1.0% to 2.0% mark up on top for IPO financing services which is generally charged to Independent Third Parties' clients of similar credit standing, trading records and quality of collaterals, and in accordance with the pricing policy of Victory Securities (HK) and comparable with the interest rates charged by other financing services providers.
- Key terms:**
- Lending ratio ranges from 20% to 60% of market price of securities pledged depending on their category. Approved list showing marginable shares and their respective lending ratio will be provided. The Company will make amendments from time to time mainly based on the lending ratios provided by the operating banks and changes will be applicable to all clients including Independent Third Parties and connected persons of the Company.
- Margin call will be raised if margin value of shares pledged is insufficient to cover the outstanding balance of subject account. It is required to top up the margin position and/or settle the shortfall as soon as possible but in any event within the prescribed time limit upon receipt of the margin call either verbally or in writing.
- If no action is taken after lapse of the prescribed time, forced sale will be exercised without further notice until and unless subject account is regularized. Repayment of the deficit is required, if any, after forced sale of all securities.
- The above key terms are applicable to all clients including Independent Third Parties and connected persons of the Company.

LETTER FROM THE BOARD

- Conditions precedent:**
- (i) the fulfillment of relevant GEM Listing Rules requirements for the Proposed Annual Caps; and
 - (ii) the Proposed Annual Caps are subject to the approval by the Independent Shareholders in accordance with the requirements of the GEM Listing Rules.

In case where the conditions precedent cannot be fulfilled on or before 31 December 2020 (or such other date as agreed by the parties thereto in writing), the Brokerage and Financing Services Agreements shall be terminated and none of the parties shall be entitled to any rights or benefits or be under any obligations against the other thereunder.

Historical transactions amounts

Financing Annual Caps

The annual maximum daily outstanding amounts of non-IPO financing and IPO financing provided to Ms. Kou's Group for the two years ended 31 December 2019 and for the nine months ended 30 September 2020, and the Existing Financing Annual Caps for the three years ending 31 December 2020 are set out as follow:

	Maximum daily outstanding amount			Annual caps		
	For the year ended 31 December 2018 <i>HK\$</i>	For the year ended 31 December 2019 <i>HK\$</i>	For the nine months ended 30 September 2020 <i>HK\$</i>	For the year ended 31 December 2018 <i>HK\$</i>	For the year ended 31 December 2019 <i>HK\$</i>	For the year ending 31 December 2020 <i>HK\$</i>
Non-IPO financing	6,886,672	11,690,241	14,948,488	15,000,000	15,000,000	15,000,000
IPO financing	349,083	2,622,665	3,922,065	4,000,000	4,000,000	4,000,000
Aggregated of non-IPO and IPO financing	7,235,755	14,312,906	18,870,553	19,000,000	19,000,000	19,000,000

The daily outstanding amounts of non-IPO financing and IPO financing provided to Mr. Chan was included in Ms. Kou's Group under the Existing Financing Annual Caps. For the two years ended 31 December 2019 and for the nine months ended 30 September 2020, (i) the maximum daily outstanding amount of non-IPO financing provided to Mr. Chan was HK\$10,648, HK\$6,322,150 and HK\$3,896,900, respectively; (ii) the maximum daily outstanding amount of IPO financing provided to Mr. Chan was nil, HK\$216,812 and HK\$750,891, respectively; and (iii) the maximum daily outstanding aggregated amounts of non-IPO and IPO financing provided to Mr. Chan was HK\$10,648, HK\$6,583,962 and HK\$4,647,791, respectively.

LETTER FROM THE BOARD

Interest Annual Caps

The historical amount of interest charges in respect of non-IPO financing and IPO financing received from Ms. Kou's Group for the two years ended 31 December 2019 and for the nine months ended 30 September 2020 was HK\$222,266, HK\$418,904, HK\$564,052, respectively, and the Existing Interest Annual Caps for the three years ending 31 December 2020 are HK\$350,000, HK\$1,500,000 and HK\$1,500,000, respectively.

The historical amount of interest charges of nil, HK\$102,858 and HK\$113,170 in respect of non-IPO financing and IPO financing received from Mr. Chan was included in Ms. Kou's Group under the Existing Interest Annual Caps for the two years ended 31 December 2019 and for the nine months ended 30 September 2020, respectively.

As at the Latest Practicable Date, the Directors confirm that the actual maximum daily outstanding amounts of non-IPO financing and IPO financing provided to Ms. Kou's Group and the actual interest charges received from Ms. Kou's Group pursuant to the Existing Financing Service Agreement were within and has not exceeded the Existing Financing Annual Caps and the Existing Interest Annual Caps. The Directors expect that the same will not exceed the Existing Financing Annual Caps and the Existing Interest Annual Caps up to the date of the EGM.

Proposed Annual Caps and basis of determination

Financing Annual Caps

The Directors expect that the annual maximum daily outstanding aggregated amounts of non-IPO financing and IPO financing to be provided to Ms. Kou's Group and Mr. Chan's Group will not exceed the corresponding Financing Annual Caps as set out below for the three years ending 31 December 2023, respectively:

	For the year ending 31 December		
	2021	2022	2023
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<i>Ms. Kou's Group</i>			
Non-IPO Financing Annual Caps	15,000,000	16,500,000	18,000,000
IPO Financing Annual Caps	6,800,000	7,480,000	8,160,000
Financing Annual Caps	21,800,000	23,980,000	26,160,000
<i>Mr. Chan's Group</i>			
Non-IPO Financing Annual Caps	5,000,000	5,500,000	6,000,000
IPO Financing Annual Caps	1,200,000	1,320,000	1,440,000
Financing Annual Caps	6,200,000	6,820,000	7,440,000

LETTER FROM THE BOARD

The Financing Annual Caps represent a 47.4%, 10.0% and 9.1% year-on-year increase for the year 2020 to 2021, 2021 to 2022 and 2022 to 2023, respectively, and have been determined with reference to:

- (i) the investment style and financial status of Ms. Kou's Group and Mr. Chan's Group;
- (ii) the expected increase in number of persons, who were not included under Ms. Kou's Group under the GEM Listing Rules pursuant to the Existing Financing Service Agreement, to be included under Mr. Chan's Group going forward following his marriage in the fourth quarter of 2020;
- (iii) the expected share trading volume and IPO subscription amount of Ms. Kou's Group and Mr. Chan's Group for the Non-IPO Financing Annual Caps and IPO Financing Annual Caps, respectively; and
- (iv) historical maximum daily outstanding amount of non-IPO financing and IPO financing for Ms. Kou's Group and Mr. Chan's Group.

Interest Annual Caps

The Directors expect that the interest charges in respect of non-IPO financing and IPO financing to be received from Ms. Kou's Group and Mr. Chan's Group will not exceed the Interest Annual Caps as set out below for the three years ending 31 December 2023, respectively:

	For the year ending 31 December		
	2021	2022	2023
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<i>Ms. Kou's Group</i>			
Interest Annual Caps	1,650,000	1,815,000	1,980,000
<i>Mr. Chan's Group</i>			
Interest Annual Caps	450,000	495,000	540,000

The Interest Annual Caps represent a 40.0%, 10.0% and 9.1% year-on-year increase for the year 2020 to 2021, 2021 to 2022 and 2022 to 2023, respectively, and have been determined with reference to (i) the expected average interest rates charged for non-IPO financing and IPO financing; and (ii) each of the corresponding Financing Annual Caps for Ms. Kou's Group and Mr. Chan's Group.

LETTER FROM THE BOARD

Reasons for the Brokerage and Financing Services Agreements

The Group has been providing financing services to Ms. Kou's Group in the past. It is expected that the arrangement will continue and the Brokerage and Financing Services Agreements is entered into to facilitate, among other things, the continuing provision of financing services by the Group to Ms. Kou's Group and Mr. Chan's Group.

Historically, the aggregated amounts of the existing annual caps of the Non-IPO Financing Annual Caps and IPO Financing Annual Caps for the year ending 31 December 2020 have been almost fully utilised during the nine months ended 30 September 2020 with the maximum daily outstanding aggregated amounts of non-IPO financing and IPO financing provided to Ms. Kou's Group amounting to over 99%. The Group anticipates that the demand for the provision of financing services under the Brokerage and Financing Services Agreement will continue to increase. The Group considers that the increase in the Proposed Annual Caps by the Group will provide additional stable revenue source for the Group and satisfy the demand from Ms. Kou's Group and Mr. Chan's Group.

Despite the current volatile market conditions, there are continuous increase in demand from individual investors in leveraging their investments return by financing, which can be reflected by the increase in revenue contributed by the margin financing business in recent years. The Group foresees that such demand will continue to increase in the near future.

The Group will continue its risk management in its stringent liquidity management measures to ensure the Group satisfy capital requirements under the applicable laws, and also continue with the limits and controls on margin loans and money lending loans on aggregate and individual loan basis.

The Directors (including the independent non-executive Directors) consider that (i) the entering into the Brokerage and Financing Services Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms or better; and (ii) the terms of the Brokerage and Financing Services Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPROVAL OF THE BOARD

Ms. Kou, Mr. Chan Ying Kit (Ms. Kou's spouse) and Mr. Chan, being shareholders of DTTKF and the Directors, are considered to have a material interest in the Brokerage and Financing Services Agreements and the Proposed Annual Caps, and have been abstained from voting on the relevant board resolutions in relation to the Brokerage and Financing Services Agreements and the Proposed Annual Caps as proposed by the Board. Save as disclosed above, none of the Directors who attended the Board meeting for approving the Brokerage and Financing Services Agreements and the Proposed Annual Caps have a material interest in the abovementioned matters.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

To ensure that the transactions contemplated under the Brokerage and Financing Services Agreements will be conducted in accordance with the terms therein, on normal commercial terms or terms no more favourable than those terms offered by the Group to Independent Third Parties for similar services in its ordinary and usual course of business, and in accordance with the pricing policy of the Company, the Group has adopted the following internal control measures to monitor the transactions contemplated thereunder:

- (i) the pricing of the financing services provided to Ms. Kou's Group and Mr. Chan's Group should be no less favorable than the prices provided to Independent Third Parties. The Brokerage and Financing Services Agreements shall also set out the basis for the pricing of the relevant transactions. The Group will also periodically gather market information with regard to similar services for its analysis and will revise the pricing for all clients on the same basis;
- (ii) the Group will continue its established limits and controls on the margin loans on an aggregate and individual loan basis, the Group will continuously monitor the margin limits granted to Ms. Kou's Group and Mr. Chan's Group, for both non-IPO financing and IPO financing to ensure the margin limits granted will not exceed the Financing Annual Caps;
- (iii) in the event that it is necessary to adjust the Proposed Annual Caps due to business development needs or other reasons, such arrangements will be made in advance and in strict compliance with the relevant requirements under the GEM Listing Rules; and
- (iv) the independent non-executive Directors and auditors will conduct annual review of the non-exempt continuing connected transactions and provide annual confirmations in accordance with the GEM Listing Rules (as applicable) that the non-exempt continuing connected transactions are conducted in accordance with the terms of the relevant agreements, on normal commercial terms and in accordance with the pricing policy and/or do not exceed the proposed applicable annual caps.

INFORMATION ON THE GROUP

The Company is an investment holding company. Along with its subsidiaries, the Company operates its businesses through five segments as followings:

- (i) The securities broking services segment offers securities broking services through the multi-platform online trading system. In addition, the segment provides placing services and ancillary services including settlement services, account servicing, corporate-action-related services and other miscellaneous services;
- (ii) The financing services segment involves in the provision of margin financing and short-term initial public offering (IPO) financing services;

LETTER FROM THE BOARD

- (iii) The asset management services segment offers asset management services on a discretionary account basis;
- (iv) The financial advisory services segment offers financial advisory services regulated by Type 6 license issued by the SFC; and
- (v) The insurance consultancy services segment provides insurance brokerage services including personal insurance, general insurance, group insurance and commercial insurance.

Victory Securities (HK) is principally engaged in businesses of securities/futures broking, placing and underwriting services and advising on securities services, financing services and asset management services in Hong Kong.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, DTTKF is the registered owner of 110,193,750 Shares, representing 55.09% of the issued share capital of the Company. DTTKF is owned by Ms. Kou, Mr. Chan, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan and Mr. Ko Yuen Fai in the proportion of approximately 75.57%, 14.05%, 6.81%, 2.67% and 0.90%, respectively. As Ms. Kou and Mr. Chan are the Directors and the Controlling Shareholders, Ms. Kou and Mr. Chan are the connected persons of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) under the GEM Listing Rules regarding the aggregated amounts of the Proposed Annual Caps for Ms. Kou's Group and Mr. Chan's Group on an annual basis are more than 25%, the continuing connected transactions contemplated thereunder are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors (namely, Mr. Ying Wing Ho Peter, Mr. Liu Chun Ning Wilfred and Dr. Yan Ka Shing) has been established by the Company to advise the Independent Shareholders on whether the Brokerage and Financing Service Agreements with Ms. Kou and Mr. Chan are on the normal commercial terms or better, in the ordinary and usual course of business of the Group, and the terms of the Brokerage and Financing Services Agreements and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Halcyon Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM THE BOARD

The Company will convene the EGM at 2:00 p.m. on Monday, 28 December 2020 at Room 1101-03, 11th Floor, Yardley Commercial Building, 3 Connaught Road West, Hong Kong to consider and if thought fit, approve the Brokerage and Financing Services Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps). A notice of the EGM is set out on pages 41 to 42 of this circular. In accordance with the requirements of the GEM Listing Rules, all votes to be taken at the EGM will be by poll.

As at the Latest Practicable Date, Ms. Kou, Mr. Chan, DTTKF and their respective associates hold 130,737,750 Shares, representing approximately 65.36% of the total issued share capital of the Company, Ms. Kou, Mr. Chan, DTTKF and their respective associates are required to abstain from voting on the resolution proposed at the EGM to approve the Brokerage and Financing Services Agreements and the transactions contemplated thereunder at the EGM.

A form of proxy for the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of the circular. The Independent Board Committee, having taken into account the advice from Halcyon Capital, the text of which is set out on pages 18 to 35 of this circular, considers that the Brokerage and Financing Services Agreements was entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and that the terms of the Brokerage and Financing Services Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution proposed at the EGM to approve the Brokerage and Financing Services Agreements and the transactions contemplated thereunder. The Board considers that the Brokerage and Financing Services Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole and therefore recommends that the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
Victory Securities (Holdings) Company Limited
Chan Ying Kit
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the Brokerage and Financing Services Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps).



Victory Securities (Holdings) Company Limited

勝利證券(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8540)

4 December 2020

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 4 December 2020 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Brokerage and Financing Services Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Halcyon Capital as set out on pages 18 to 35 of the Circular and the letter from the Board as set out on pages 5 to 15 of the Circular.

Having considered the terms of the Brokerage and Financing Services Agreements, the situation of the Company, the factors and reasons considered by Halcyon Capital and its opinion as stated in its letter of advice, we consider that the terms of the Brokerage and Financing Services Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) are being carried out on normal commercial terms and in the ordinary and usual course of business of the Company, the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and the transactions are in the interests of the Group

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution proposed to approve the Brokerage and Financing Services Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Victory Securities (Holdings) Company Limited
Mr. Ying Wing Ho Peter
Mr. Liu Chun Ning Wilfred
Dr. Yan Ka Shing
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of the inclusion in this circular.



11/F, 8 Wyndham Street
Central
Hong Kong

4 December 2020

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the (i) provision of financing to Ms. Kou's Group and Mr. Chan's Group as stipulated under the brokerage and financing services agreements entered into between Victory Securities (HK) (1) Ms. Kou and (2) Mr. Chan respectively (the "**Brokerage and Financing Services Agreements**"); and (ii) the respectively maximum annual interest charges in respect of the provision of financing to Ms. Kou's Group and Mr. Chan's Group (the "**Transaction**").

Details of the Transaction and the annual caps in relation to the provision of financing to Ms. Kou's Group and Mr. Chan's Group (the "**Financing Annual Caps**") and the associated maximum annual interest charged to Ms. Kou's Group and Mr. Chan's Group (the "**Interest Annual Caps**") are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 4 December 2020 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Circular.

Victory Securities (HK) is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. Ms. Kou is a director of the Company and one of the controlling Shareholders and hence a connected person of the Company under the definition of the GEM Listing Rules. Mr. Chan, being the executive Director, deputy chief operating officer of the Company and the son of Mr. Chan Ying Kit and Ms. Kou, is also a connected person of the Company under the definition of the GEM Listing Rules. Accordingly, the provision of financing to Ms. Kou's Group and Mr. Chan's Group by Victory Securities (HK) and the charging of relevant interest to such financing constitute continuing connected transactions of the Company under the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (other than the profits ratio) under the GEM Listing Rules in aggregating the Financing Annual Caps and the Interest Annual Caps on an annual basis are more than 25%, the Transaction (including the Financing Annual Caps and the Interest Annual Caps), will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DTTKF is the registered owner of 110,193,750 Shares, representing 55.09% of the issued share capital of the Company. DTTKF is owned by Ms. Kou, Mr. Chan, Mr. Chan Ying Kit, Mr. Ko and Mr. Ko Yuen Fai in the proportion of approximately 75.57%, 14.05%, 6.81%, 2.67% and 0.90%, respectively. Accordingly, Ms. Kou is deemed to be interested in all shares held by DTTKF under the SFO. Ms. Kou, Mr. Chan Ying Kit (Ms. Kou's spouse) and Mr. Chan, being shareholders of DTTKF and the Directors, are considered to have a material interest in the Brokerage and Financing Services Agreements and therefore Ms. Kou, Mr. Chan, DTTKF and their respective associates and Shareholders who are materially interested in the Brokerage and Financing Services Agreements will abstain from voting on the resolution to be proposed at the EGM in relation to the Transaction and the Financing Annual Caps and the Interest Annual Caps for Ms. Kou's Group and Mr. Chan's Group.

The Independent Board Committee comprising all the independent non-executive Directors, Mr. Ying Wing Ho Peter, Mr. Liu Chun Ning Wilfred and Dr. Yan Ka Shing has been established to advise the Independent Shareholders as to whether the terms of the Brokerage and Financing Services Agreements (including the Financing Annual Caps and the Interest Annual Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolution in the EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In the last two years from the date of our appointment, we have no other relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees paid/payable to us in connection with our appointment, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence. We are therefore independent under the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Transaction.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcements of the Company dated 5 November 2020 and 30 November 2020 and the Circular, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

made after due and careful inquiry by the Directors and/or management of the Company. We have been advised by the Directors and/or the management of the Company that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company including the Brokerage and Financing Services Agreements and certain published information from the public domain. We have also discussed with the Directors and/or the management of the Company with respect to the terms of and reasons for the transaction contemplated under the Brokerage and Financing Services Agreements (including the Financing Annual Caps and the Interest Annual Caps), and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, creditability, financial position or prospects of the Group, DTTKF, Ms. Kou's Group, Mr. Chan's Group and each of their respective associates, and the parties involved in the transactions contemplated under the Brokerage and Financing Services Agreements.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the transactions contemplated under the Brokerage and Financing Services Agreements (including the Financing Annual Caps and the Interest Annual Caps), we have considered the following principal factors and reasons:

1. Background to and reasons for the entering into of the Brokerage and Financing Services Agreements

The Company principally engaged in the provision of securities broking services. Along with its subsidiaries, the Company operates its business through five segments; (i) the securities broking services segment offers securities broking services through the multi-platform online trading system as well as placing services and ancillary services including settlement services, account servicing, corporate-action-related services and other miscellaneous services; (ii) the financing services segment involves in the provision of margin financing and short-term initial public offering (“IPO”) financing services; (iii) the Asset Management Services segment offers asset management services on a discretionary account basis; (iv) the Financial Advisory Services segment provides professional financial advisory services for clients; and (v) the Insurance Consultancy Services.

Victory Securities (HK) is a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(asset management) regulated activities (as defined under the SFO), and an indirect wholly-owned subsidiary of the Company. The Group has been providing margin financing and short-term IPO financing services via Victory Securities (HK) to its' customers including members of Ms. Kou's Group and Mr. Chan's Group.

Ms. Kou, one of the Directors and Controlling Shareholders, has over 27 years of experience in the securities industry and since January 2017, she has been the chief executive officer and a director of Victory Securities (HK) and is currently licensed by the Securities and Futures Commission (the "SFC") to act as a responsible officer to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management, under the condition that she shall not provide a service of managing a portfolio of futures contracts for another person) regulated activities under the SFO. Ms. Kou is also director and vice-chairperson of the Hong Kong Securities Association.

Mr. Chan, one of the Directors and Controlling Shareholders, was approved by the SFC to be the licensed representative of Victory Securities (HK) for Type 1 regulated activity on 24 July 2013 and he has been employed by Victory Securities (HK) on a full-time basis since then. He is currently licensed by the SFC to act as a Licensed Representative to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO.

As experience market participants, Ms. Kou, Mr. Chan and their relatives have been from time to time invest in the Hong Kong capital market and have been obtaining financing from Victory Securities (HK) before the Company was listed on the GEM.

Given Victory Securities (HK) had been principally engaged in the provision of margin financing and short-term IPO financing services and Ms. Kou and her relatives have been obtaining non-IPO and IPO financing from Victory Securities (HK) from time-to-time, to govern the on-going provision of financing by Victory Securities (HK) to Ms. Kou's Group and Mr. Chan, Victory Securities (HK) and Ms. Kou entered into the Existing Financing Service Agreement in June 2018 prior to the listing of the Company's Shares on the GEM Board of the Stock Exchange in July 2018.

The Existing Financing Service Agreement governs the on-going relevant transactions between Victory Securities (HK), Ms. Kou's Group and Mr. Chan respectively. As all of Mr. Chan's associates were also under Ms. Kou's Group at the material time and therefore, no separate financing service agreement was entered into with Mr. Chan. Following Mr. Chan's marriage in 2020, the group of Mr. Chan's associates would be different from Ms. Kou and her associates and as the Existing Financing Service Agreement will expire by the end of 2020, Victory Securities (HK), Ms. Kou and Mr. Chan entered into the two separate brokerage and financing services agreements on 5 November 2020, to continue to govern the Transaction in the coming three years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of such, the Directors considered that the Brokerage and Financing Services Agreements provide flexibility but not obligations to the Group to provide financing services to Ms. Kou's Group and Mr. Chan's Group whenever Victory Securities (HK) considers appropriate.

Having considered that the transactions between the Victory Securities (HK) and Ms. Kou's Group and Mr. Chan's Group have been/will be carried out in the ordinary and usual course of businesses of the Victory Securities (HK) and the continuing business relationship between the Victory Securities (HK) and Ms. Kou's Group, we agreed that the entering into of the Brokerage and Financing Services Agreements are in the ordinary and usual course of business of the Group.

2. Principal terms of the Brokerage and Financing Services Agreements

Brokerage and Financing Services Agreements

On 5 November 2020, the Company, Ms. Kou and Mr. Chan entered into two separate brokerage and financing services agreements, pursuant to which for financing services Victory Securities (HK) will provide (i) non-IPO financing services; and (ii) IPO financing services to Ms. Kou and Mr. Chan (where applicable, including their associates), which Ms. Kou and Mr. Chan (where applicable, including their associates) will in return pay interest charges on the financing amounts to Victory Securities (HK). The major terms of the Brokerage and Financing Services Agreements in relation to the financing services are set out below:

Term

From 1 January 2021 to 31 December 2023

Pricing

The interest rate charged on the financing amounts is determined with reference to (i) the prime rate plus 2% per annum or above in respect of non-IPO financing services; and (ii) the interest rate quoted from borrowing banks of the Group with an additional rate of 1.0% to 2.0% mark up on top for IPO financing services which is generally charged to Independent Third Parties' clients of similar credit standing, trading records and quality of collaterals, and in accordance with the pricing policy of Victory Securities (HK) and comparable with the interest rates charged by other financing services providers.

Key terms

Lending ratio ranges from 20% to 60% of market price of securities pledged depending on the collateral's category. Approved list showing marginable shares and their respective lending ratio will be provided. The Company will make

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

amendments from time to time mainly based on the lending ratios provided by the operating banks and changes will be applicable to all clients including Independent Third Parties and connected persons of the Company.

Margin call will be made if margin value of shares pledged is insufficient to cover the outstanding balance of subject account. It is required to top up the margin position and/or settle the shortfall as soon as possible but in any event within the prescribed time limit upon receipt of the margin call either verbally or in writing.

If no action is taken after lapse of the prescribed time, forced sale will be exercised without further notice until and unless subject account is regularized. Repayment of the deficit is still required, if any, after forced sale of all securities.

The above key terms are applicable to all clients including Independent Third Parties and connected persons of the Company.

Conditions precedent

Conditions precedents of the Brokerage and Financing Services Agreements include:

1. the fulfillment of relevant GEM Listing Rules requirements for the Proposed Annual Caps; and
2. the Proposed Annual Caps are subject to the approval by the Independent Shareholders in accordance with the requirements of the GEM Listing Rules.

In case where the conditions precedent cannot be fulfilled on or before 31 December 2020 (or such other date as agreed by the parties thereto in writing), the Brokerage and Financing Services Agreements shall be terminated and none of the parties shall be entitled to any rights or benefits or be under any obligations against the other thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Internal control

To ensure that the transactions contemplated under the Brokerage and Financing Services Agreements will be conducted in accordance with the terms therein, on normal commercial terms or better terms, and in accordance with the pricing policy of the Company, the Group has adopted (among others) the following internal control measures to monitor the Transaction contemplated thereunder:

- (i) the pricing of financing services provided to the connected persons should be no less favorable than the prices provided to Independent Third Parties. The Brokerage and Financing Services Agreements shall also set out the basis for the pricing of the relevant transactions. The Group will also periodically gather market information with regard to similar services for its analysis and will revise the pricing for all clients on the same basis;
- (ii) the Group will continue its established limits and controls on the margin loans on an aggregate and individual loan basis, the Group will continuously monitor the margin limits granted to the connected persons, for both non-IPO financing and IPO financing to ensure the margin limits granted will not exceed the Financing Annual Caps;
- (iii) in the event that it is necessary to adjust the Financing Annual Caps and the Interest Annual Caps due to business development needs or other reasons, such arrangements will be made in advance and in strict compliance with the relevant requirements under the GEM Listing Rules; and
- (iv) the independent non-executive Directors and auditors will conduct annual review of the non-exempt continuing connected transactions and provide annual confirmations in accordance with the GEM Listing Rules (as applicable) that the non-exempt continuing connected transactions are conducted in accordance with the terms of the relevant agreements, on normal commercial terms and in accordance with the pricing policy and/or do not exceed the proposed applicable annual caps.

As confirmed by the Directors, since listing to the Latest Practicable Date, financing services provided to members Ms. Kou's Group including Mr. Chan had been in compliance with above internal control measures of Victory Securities (HK).

4. Comparison of terms with Independent Third Parties

We have discussed with the management of the Company and reviewed sample copies of letter of approval issued by Victory Securities (HK) to independent third parties; and the pricing terms as set out in the Brokerage and Financing Services Agreements. Based on our review, we noted that the prices offered by Victory Securities (HK) to independent third parties are comparable to the pricing terms as set out in the Brokerage and Financing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Services Agreements for both IPO and Non-IPO financing. We obtained random samples for the purpose of understanding the general terms for IPO and Non-IPO financing during the duration of the Existing Financing Service Agreement. Our random samples cover each quarter of the term of the Existing Financing Service Agreement, in which we consider obtaining such random samples would be sufficient to understand the operation of IPO and Non-IPO financing between Victory Securities (HK) and connected person and independent third parties respectively.

IPO financing

For IPO financing, we have reviewed statements issued to Independent Third Parties, Ms. Kou's Group and Mr. Chan's Group for IPO subscription by selecting random samples covering each quarters of 2020 as well as all IPO participated by Mr. Kou's Group and Mr. Chan's Group in 2018 and 2019 as Mr. Kou's Group and Mr. Chan's Group only subscribed for less than 5 IPOs in 2018 and 2019. We noted that the interest rate charged to Mr. Kou's Group and Mr. Chan's Group and Independent Third Parties participating in the each particular IPO subscription were identical.

Non-IPO financing

For non-IPO financing, the interest rate would be charged as the prime rate plus 2% per annum or above, of which the same rate had been stipulated in the Brokerage and Financing Services Agreements. We have reviewed random samples of letter of approval issued by Victory Securities (HK) to Independent Third Parties covering each quarter since listing during the term of the Existing Financing Service Agreement, we noted from the samples, the same rate (prime rate plus 2% per annum) had been applied towards independent third parties as stipulated in their respective letter of approval.

In terms of clauses regarding lending ratio, we understand from the management of the Group that a lending ratio of 20% to 60% of market price of securities pledged will be applied depending on the underlying security pledged. The Directors based on the trading and financial performance of each underlying securities, have formulated a list of lending ratio, stipulating securities on the Stock Exchange which the Group will accept as pledge security and the respective lending ratio of each acceptable pledge security. Such lending ratio will be consistently applied towards all non-IPO financing customers (both connected persons and independent third parties).

We have reviewed samples of statements (covering each quarter since listing in 2018, 2019 and 2020) issued to connected person and noted that the lending ratio applied towards each individual security pledged for non-IPO financing were consistent with the then list of lending ratio applied by the Group. Furthermore, we understand from the management of the Group that, terms in relation to margin calls and force sales will also be consistently applied to all customers including connected persons.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above and given (i) the lending ratio of each security to be applied; and (ii) the terms in relation to force sales and margin call will be consistently applied to both members of Ms. Kou's Group and Mr. Chan's Group and customers who are Independent Third Parties, we considered that the terms offered to Ms. Kou's Group in relation to interest rate charged, lending ratio, force sales and margin call to be comparable to those offered to customers which are Independent Third Parties.

5. Basis of the Financing Annual Caps and the Interest Annual Caps

The transactions contemplated under the Brokerage and Financing Services Agreements are subject to the GEM Listing Rules' requirements and conditions as further discussed under the section headed "Reporting requirements and conditions of the Transaction" below. In particular, the Transaction is also subject to the Financing Annual Caps and the Interest Annual Caps as discussed below.

In assessing the reasonableness of the Financing Annual Caps and the Interest Annual Caps, we have discussed with the management of the Group the basis and assumptions underlying the projections for the daily maximum amount of financing pursuant to the Brokerage and Financing Services Agreements entered into between Victory Securities (HK) and Ms. Kou's Group and Mr. Chan's Group for the purpose of determining the Financing Annual Caps and the Interest Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Review of the historical figures*

Financing Annual Caps

Set out below are the historical values of the financing transactions entered into between Victory Securities (HK) and Ms. Kou's Group including Mr. Chan during the two years ended 31 December 2019 and for the nine months ended 30 September 2020 extracted from the financial records in the relevant financial years/periods:

	For the year ended 31 December 2018 <i>HK\$' million</i>	For the year ended 31 December 2019 <i>HK\$' million</i>	For the nine months ended 30 September 2020 <i>HK\$' million</i>
Existing Financing Annual Caps under Existing Financing Service Agreement	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>
Historical maximum daily outstanding amount of non-IPO and IPO financing for Ms. Kou's Group excluding Mr. Chan	7.19	7.8	14.3
Historical maximum daily outstanding amount of non-IPO and IPO financing for Mr. Chan	<u>0.01</u>	<u>6.5</u>	<u>4.6</u>
Total	<u>7.2</u>	<u>14.3</u>	<u>18.9</u>
Overall utilization rate	37.9%	75.3%	99.5%

During the year ended 31 December 2018 and 2019, the historical maximum daily outstanding amount for non-IPO financing and IPO financing was approximately HK\$7.2 million and approximately HK\$14.3 million representing a utilization rate of 37.9% and 75.3% respectively. For the nine months ended 30 September 2020, historical maximum daily outstanding amount for non-IPO and IPO financing was approximately HK\$18.9 million representing a utilization rate

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of 99.5 %. As discussed with the management of the Group utilization of Ms. Kou's Group's Financing Annual Caps varies from time-to-time, depending on members of Ms. Kou's Group's investment strategy and financing needs.

The annual caps of the Existing Financing Service Agreement included financing annual caps and interest annual caps for Mr. Chan, who will obtain a separate annual cap from 2021 onwards. For the two years ended 31 December 2019 and for the nine months ended 30 September 2020, the maximum daily outstanding aggregated amounts of non-IPO and IPO financing provided to Mr. Chan's Group was HK\$0.01 million, HK\$6.5 million and HK\$4.6 million respectively.

Interest Annual Caps

Set out below are the historical values of the interest paid by Ms. Kou's Group including Mr. Chan in respect of the Existing Financing Service Agreement entered into between Victory Securities (HK) and Ms. Kou during the two years ended 31 December 2019 and for the nine months ended 30 September 2020 extracted from the financial records in the relevant financial years/periods:

	For the year ended 31 December 2018 <i>HK\$' million</i>	For the year ended 31 December 2019 <i>HK\$' million</i>	For the nine months ended 30 September 2020 <i>HK\$' million</i>
Existing Interest			
Annual Caps under Existing Financing Service Agreement	<u>0.35</u>	<u>1.5</u>	<u>1.5</u>
Historical interest charged to Ms. Kou's Group excluding Mr. Chan	0.22	0.32	0.46
Historical interest charged to Mr. Chan	<u>–</u>	<u>0.1</u>	<u>0.1</u>
Historical interest charged to Ms. Kou's Group including Mr. Chan	<u>0.22</u>	<u>0.42</u>	<u>0.56</u>
Overall utilization rate	62.9%	28%	37.3%

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Interest charged were based on the outstanding financing amount taking into account the number of days of borrowings and the then interest rate applied to the financing provided to Ms. Kou's Group including Mr. Chan.

The increase in interest charged were in-line with the increase of the historical maximum daily outstanding amount of non-IPO and IPO financing of Ms. Kou's Group including Mr. Chan.

The Directors confirm that, as at the Latest Practicable Date the actual maximum daily outstanding amounts of non-IPO financing and IPO financing provided to Ms. Kou's Group and the actual interest charges received from Ms. Kou's Group pursuant to the Existing Financing Service Agreement were within and have not exceeded the Existing Financing Annual Caps and the Existing Interest Annual Caps. The Directors expect that the same will not exceed the Existing Financing Annual Caps and the Existing Interest Annual Caps up to the date of the EGM.

Assessment of the Proposed Annual Caps

When assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management the basis and assumptions underlying the projection of the Proposed Annual Caps. Set out below is the Proposed Annual Caps being proposed for the transactions contemplated under the Brokerage and Financing Services Agreements for the three years ending 31 December 2021, 2022 and 2023:

		For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
		<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Ms. Kou's Group's Financing Annual Caps	(i)	21.80	23.98	26.16
Mr. Chan's Group's Financing Annual Caps	(ii)	6.2	6.82	7.44
Ms. Kou's Group's Interest Annual Caps	(iii)	1.65	1.815	1.98
Mr. Chan's Group's Interest Annual Caps	(iii)	0.45	0.495	0.540

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Ms. Kou's Group's Financing Annual Caps*

	For the year ending 31 December 2021 <i>HK\$' million</i>	For the year ending 31 December 2022 <i>HK\$' million</i>	For the year ending 31 December 2023 <i>HK\$' million</i>
Non-IPO Financing Annual Caps	15.00	16.50	18.00
IPO Financing Annual Caps	6.80	7.48	8.16
 Ms. Kou's Group's Financing Annual Caps	21.80	23.98	26.16

The Financing Annual Caps of Ms. Kou's Group are calculated by aggregating Non-IPO Financing Annual Caps and IPO Financing Annual Caps. In determining the Financing Annual Caps of Ms. Kou's Group for the Brokerage and Financing Services Agreement, the Directors have made reference to (i) the investment style and financial status of Ms. Kou's Group; (ii) the expected share trading volume and IPO subscription amount of Ms. Kou's Group; and (iii) the historical maximum daily outstanding amount of non-IPO financing and IPO financing of Ms. Kou's Group.

We understand that historical maximum daily outstanding amount of non-IPO financing and IPO financing for Ms. Kou's Group, increased from HK\$7.2 million (excluding Mr. Chan's utilization) during the year ended 31 December 2018 to HK\$14.3 million (excluding Mr. Chan's utilization) during the nine months ended 30 September 2020. Such increase represented a growth of 98.6%. As discussed with the management of the Group, from their understanding from members of Ms. Kou's Group, taking into consideration (i) the maximum financing amount of each of the members of Ms. Kou's Group pursuant to Victory Securities (HK)'s internal control measures; (ii) the historical growth rate of 98.6% from 2018 to the nine months ended 30 September 2020; (iii) the latest credit assessment and financial status of each of the members of Ms. Kou's Group; (iv) the utilization rate of 99.5% in terms of maximum daily historical amount for the nine months ended 30 September 2020; (v) the estimated slowdown of market momentum due to COVID-19; and (vi) the segregation of Mr. Chan's annual cap from Financing Annual Caps, the management of the Group estimated a general increment of 14.7% to the Financing Annual Caps for the year ending 31 December 2021 as compared to the annual caps of the Existing Financing Service Agreement of HK\$19 million for the year ending 31 December 2020.

When estimating the Financing Annual Caps of Ms. Kou's Group for the year ending 31 December 2022 and 2023, the management of the Group is of the view that, with COVID-19 condition stabilizing, the investment momentum of members of Ms. Kou's Group will continue to pick-up and thus a general increment of 10% and 9% were built-in respectively for the Financing Annual Caps of Ms. Kou's Group for the year ending 31 December 2022 and 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the management of the Group and we understand that the daily maximum outstanding amount for the Financing Annual Caps of Ms. Kou's Group had been taken into account the maximum borrowing level to be offered to Ms. Kou's Group as reviewed and approved based on the Group's internal policies and by the relevant compliance department of the Group. According to the Directors, in formulating the Financing Annual Caps of Ms. Kou's Group, the management of the Group discussed with member of Ms. Kou's Group regarding their investment strategies and financing needs. The Group had also reviewed the latest credit history and perform all necessary internal assessment to assess the maximum level of financing to be offered to members of Ms. Kou's Group and offered Ms. Kou's Group a daily maximum outstanding amount of which Ms. Kou agreed on and was then stipulated in the Brokerage and Financing Services Agreement entered into with Ms. Kou. Given the Financing Annual Caps of Ms. Kou's Group were formulated by taking into account the financing need of members of Ms. Kou's Group after internal credit assessment carried out by the Group, and also one of the major criteria for granting the credit limit will be based on the quality of the stocks being pledged, we consider the formulation of the Financing Annual Caps (including the interest rate adopted) to be reasonable.

(ii) *Mr. Chan's Group's Financing Annual Caps*

	For the year ending 31 December 2021 <i>HK\$' million</i>	For the year ending 31 December 2022 <i>HK\$' million</i>	For the year ending 31 December 2023 <i>HK\$' million</i>
Non-IPO Financing Annual Caps	5.0	5.5	6.0
IPO Financing Annual Caps	<u>1.2</u>	<u>1.32</u>	<u>1.44</u>
Mr. Chan's Group's Financing Annual Caps	<u><u>6.2</u></u>	<u><u>6.82</u></u>	<u><u>7.44</u></u>

The Financing Annual Caps of Mr. Chan's Group are calculated by aggregating Non-IPO Financing Annual Caps and IPO Financing Annual Caps. In determining the Financing Annual Caps of Mr. Chan's Group for the Brokerage and Financing Services Agreement, the Directors have made reference to (i) the investment style and financial status of Mr. Chan's Group; (ii) the expected increase in number of persons, who were not included under Ms. Kou's Group under the GEM Listing Rules pursuant to the Existing Financing Service Agreement, to be included under Mr. Chan's Group going forward following his marriage in the fourth quarter of 2020; (iii) the expected share trading volume and IPO subscription amount of Mr. Chan's Group; and (iv) the historical maximum daily outstanding amount of non-IPO financing and IPO financing of Mr. Chan.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand that historical maximum daily outstanding amount of non-IPO financing and IPO financing for Mr. Chan for the nine months ended 30 September 2020 was amounted to HK\$4.6 million, the increase in the Financing Annual Cap for Mr. Chan's Group catered for the additional financing needs of other members of Mr. Chan's Group apart from Mr. Chan. As discussed with the management of the Group, from their understanding from members of Mr. Chan's Group, taking into consideration (i) the maximum financing amount of each of the members of Mr. Chan's Group pursuant to Victory Securities (HK)'s internal control measures; (ii) the latest credit assessment and financial status of each of the members of Mr. Chan's Group; and (iii) the estimated slowdown of market momentum due to COVID-19 in which the historical maximum daily outstanding amount of Mr. Chan amounted to HK\$6.6 million for the year ended 31 December 2019, the Financing Annual Caps of Mr. Chan's Group recorded an increment of 34.7% as compared to historical maximum daily outstanding amount of Mr. Chan of HK\$4.6 million for the year ending 31 December 2020.

When estimating the Financing Annual Caps of Mr. Chan's Group for the years ending 31 December 2022 and 2023, the management of the Group is of the view that, with COVID-19 condition stabilizing, the investment momentum of members of Mr. Chan's Group will continue to pick-up and thus a general increment of 10% and 9% were built-in respectively for the Financing Annual Caps of Mr. Chan's Group for the years ending 31 December 2022 and 2023.

We have discussed with the management of the Group and we understand that the daily maximum outstanding amount for the Financing Annual Caps of Mr. Chan's Group had been taken into account the maximum borrowing level to be offered to Mr. Chan's Group as reviewed and approved based on the Group's internal policies and by the relevant compliance department of the Group. According to the Directors, in formulating the Financing Annual Caps of Mr. Chan's Group, the management of the Group discussed with members of Mr. Chan's Group regarding their investment strategies and financing needs. The Group had also reviewed the latest credit history and perform all necessary internal assessment to assess the maximum level of financing to be offered to members of Mr. Chan's Group and offered Mr. Chan's Group a daily maximum outstanding amount of which Mr. Chan agreed on and was then stipulated in the Brokerage and Financing Services Agreement entered into with Mr. Chan. Given the Financing Annual Caps of Mr. Chan's Group were formulated by taking into account the financing need of members of Mr. Chan's Group after internal credit assessment carried out by the Group, and also one of the major criteria for granting the credit limit will be based on the quality of the stocks being pledged, we consider the formulation of the Financing Annual Caps (including the interest rate adopted) to be reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Interest Annual Caps

	For the year ending 31 December 2021 <i>HK\$'000</i>	For the year ending 31 December 2022 <i>HK\$'000</i>	For the year ending 31 December 2023 <i>HK\$'000</i>
Ms. Kou's Group	1,650	1,815	1,986
Mr. Chan's Group	450	495	540
 Total	 2,100	 2,310	 2,526

Determined and rounded for ease of monitoring, the Interest Annual Caps represent a 10.0% and 9.1% year-on-year increase for the year 2021 to 2022 and 2022 to 2023, respectively, and have been determined with reference to (i) the expected average interest rates charged for non-IPO financing and IPO financing; (ii) each of the corresponding Financing Annual Caps for Ms. Kou's Group and Mr. Chan's Group.

We noted from the calculation of the Interest Annual Caps for the three years ending 31 December 2023, that the Interest Annual Caps comprised interest charged for non-IPO financing and interest charged for IPO financing.

For interest charged for non-IPO financing, the management of the Group took into account the Non-IPO Financing Annual Cap of the respective year times the interest rate of prime rate plus 2% per annum of 7.25% as well as the average interest rate charged to all customers (including independent third parties).

We have reviewed the calculation of interest rate for non-IPO financing and noted that an average interest rate charged to all customers of Victory Securities (HK) up to 30 September 2020 of 9.06% has been applied to the calculation. We understand from the management of Victory Securities (HK) that, around 96.0% of Victory Securities (HK)'s non-IPO financing customers were charged with a rate of prime rate plus 2% per annum of 7.25% during the nine months ended 30 September 2020, while most of the remaining customers of Victory Securities (HK), were charged with a relatively higher interest rate due to their portfolio mix. As Victory Securities (HK) considered that and we concur, investment portfolio of investors will change from time-to-time and Victory Securities (HK) at certain circumstances maybe required to charge members of Ms. Kou's Group and Mr. Chan's Group a higher interest rate, the application of an average interest rate charged to all customers of Victory Securities (HK) up to 30 September 2020 of 9.06% may provide flexibility to Victory Securities (HK) as and when a higher interest rate would apply. In view the nature of investment decision will varies from time to time depending on the then market conditions, we consider the application of average interest rate to be acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For interest charged for IPO financing, the management of the Group took into account the IPO financing annual cap of the respective year times the average interest rate of 3.32%. Different IPO subscription would result in different cost of borrowing offered by financial institutions to the Group in respect of funding to provide margin financing to the Group's customer. As such, the interest rate charged on margin financing varies from time-to-time. To obtain a recent benchmark interest rate, the management of the Group took average of all interest rate offered for each IPO the Group had provided clients with margin financing in 2020 up to 30 October 2020 and came up with a calculation of 3.32%. In view of the nature of IPO Subscription that the interest rate charged would vary, we concur with the management of the Group that, applying an average interest rate would be appropriate.

6. Reporting requirements and conditions of the Transaction

Pursuant to Rules 20.53 to 20.57 of the GEM Listing Rules, the Transaction are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Transaction and confirm in the annual report and accounts that Transaction have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to the Board's attention that causes them to believe that the Transaction:
 - (i) have not been approved by the Board;
 - (ii) are not in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - (iii) have not been entered into, in all material respects, in accordance with the relevant agreements governing the Transaction; and
 - (iv) have exceeded the Financing Annual Caps and Interest Annual Caps;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) the Company must allow, and ensure that counterparties to the Transaction to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transaction as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the GEM Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements attached to the Transaction, in particular, (i) the restriction of the value of the Transaction by way of the Financing Annual Caps and the Interest Annual Caps; and (ii) the on-going review by the independent non-executive Directors and auditors of the Company of the terms of the Transaction and the Financing Annual Caps and the Interest Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the Transaction and assist to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the terms of the Brokerage and Financing Services Agreements and the transactions contemplated there under are in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Financing Annual Caps and the Interest Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Brokerage and Financing Services Agreements (including the Financing Annual Caps and the Interest Annual Caps) and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
HALCYON CAPITAL LIMITED
Terry Chu
Managing Director

Mr. Terry Chu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Chu has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interest of Directors in the shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to our Company and the Stock Exchange, were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity/ nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
Ms. Kou ⁽¹⁾	Interested in a controlled corporation	110,193,750	55.09%
	Beneficial owner	2,100,000	1.05%
Mr. Chan Ying Kit ⁽¹⁾ and ⁽²⁾	Interest of spouse	112,293,750	56.14%
Mr. Chiu Che Leung, Stephen	Beneficial owner	3,000,000	1.50%
Mr. Chan	Beneficial owner	2,694,000	1.35%

Notes:

- (1) Dr. TT Kou's Family Company Limited ("DTTKF") is the registered owner of 110,193,750 shares, representing 55.09% of the issued share capital of the Company. DTTKF is owned by Ms. Kou, Mr. Chan, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan and Mr. Ko Yuen Fai in the proportion of approximately 75.57%, 14.05%, 6.81%, 2.67% and 0.90%, respectively. Accordingly, Ms. Kou is deemed to be interested in all shares held by DTTKF under the SFO.
- (2) Mr. Chan Ying Kit is the spouse of Ms. Kou. Under the SFO, Mr. Chan Ying Kit is deemed to be interested in the same number of shares in which Ms. Kou is interested.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ nature of interest	Number of shares	% of the total number of issued shares of the corporation
Ms. Kou	DTTKF	Beneficial owner	111,031,667	75.57%
Mr. Chan	DTTKF	Beneficial owner	20,640,000	14.05%
Mr. Chan Ying Kit	DTTKF	Beneficial owner	10,000,000	6.81%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Interests of Directors in the assets of the Company

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

(c) Interests of Directors in contracts

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

3. INTEREST OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as it is known to the Directors, the following person, not being a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group:

Name of Shareholder	Capacity/ nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
DTTKF ⁽¹⁾	Beneficial owner	110,193,750	55.09%

Note:

- (1) DTTKF is the registered owner of 110,193,750 shares, representing 55.09% of the issued share capital of the Company. DTTKF is owned by Ms. Kou, Mr. Chan, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan and Mr. Ko Yuen Fai in the proportion of approximately 75.57%, 14.05%, 6.81%, 2.67% and 0.90%, respectively. Accordingly, Ms. Kou is deemed to be interested in all shares held by DTTKF under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons, other than the Directors and the chief executives who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

5. COMPETING BUSINESS INTEREST OF DIRECTORS

Save for the continuing connected transactions as disclosed in the section headed “Continuing Connected Transactions” in the “Report of the Directors” in the annual report 2019 and the announcement of the Company dated 19 June 2020, none of the Directors or the controlling shareholders of the Company nor their respective close associates had any interest in business that competed or might compete with business of the Group as at the Latest Practicable Date.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Company were made up.

7. COMPLIANCE ADVISER’S INTEREST

Save and except for the compliance adviser’s agreement entered into between the Company and Central China International Capital Limited (the “**Compliance Adviser**”) with effect from 16 August 2020, neither the Compliance Adviser, nor any of its directors, employees or close associates had any interests in the securities of the Company or other companies of the Group (including options or rights to subscribe for such securities) as at the Latest Practicable Date, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

8. EXPERT AND CONSENT

The following are the qualifications of the expert who has been named in this circular or has given opinion or letter contained in this circular:

Name	Qualifications
Halcyon Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Halcyon Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters of its opinions and references to its name in the form and context in which they respectively appear herein.

As at the Latest Practicable Date, Halcyon Capital was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and Halcyon Capital did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited

financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

- (a) The company secretary of the Company is Kong Yan Yue, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries.
- (b) The Company's Registrar and transfer office in Hong Kong is Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 1101-03, 11th Floor, Yardley Commercial Building, 3 Connaught Road West, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the letter of recommendations from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (b) the letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;
- (c) the written consent of the expert referred to in the section headed "Expert and Consent" of this appendix;
- (d) the Brokerage and Financing Services Agreements and the Existing Financing Service Agreement; and
- (e) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Victory Securities (Holdings) Company Limited

勝利證券(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8540)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Victory Securities (Holdings) Company Limited (the “**Company**”) will be held at 2:00 p.m. on Monday, 28 December 2020 at Room 1101-03, 11th Floor, Yardley Commercial Building, 3 Connaught Road West, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Brokerage and Financing Services Agreements dated 5 November 2020 separately entered (as defined and described in the circular of the Company dated 4 December 2020 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Brokerage and Financing Services Agreements marked “B” are tabled before the EGM for identification purpose) and the transactions contemplated thereunder as described in the Circular and the implementation thereof be and are hereby approved, confirmed and ratified;
- (b) the Proposed Annual Caps (as defined and described in the Circular) under the Brokerage and Financing Services Agreements for the three years ending 31 December 2023 be and are hereby approved and confirmed; and
- (c) any one Director be and is hereby authorized to do all such further acts and things and to sign and execute all such documents, including under seal of the Company, where applicable, and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated under the Brokerage and Financing Services Agreements.”

Yours faithfully,

By order of the Board

Victory Securities (Holdings) Company Limited

Chan Ying Kit

Chairman

Hong Kong, 4 December 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (i) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her in accordance with the articles of association of the Company. A proxy need not be a member of the Company but must be present in person to represent the member.
- (ii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
- (iii) In order to be valid, a form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or not less than 48 hours before the time appointed for the holding of any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (iv) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such an event, the form of proxy shall be deemed to be revoked.
- (v) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (vi) For determining the entitlement of Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 22 December 2020 to Monday, 28 December 2020, both days inclusive, during which period no share transfers will be registered. In order to be eligible to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 December 2020.

As at the date of this notice, the Board comprises three executive Directors, namely Ms. Kou Kuen, Mr. Chiu Che Leung, Stephen and Mr. Chan Pui Chuen, one non-executive Director, namely Mr. Chan Ying Kit (Chairman) and three independent non-executive Directors, namely Mr. Ying Wing Ho Peter, Mr. Liu Chun Ning Wilfred and Dr. Yan Ka Shing.