
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED] by DTTKF. DTTKF is owned as to approximately 66.63%, 10.50%, 6.71%, 2.00%, 1.89%, 3.78%, 0.94%, 0.94%, 3.31%, 1.35%, 0.60%, 1.30% and 0.05% by Ms. Kou, Ms. Kou Luen, Mr. Chan, Mr. Chiu, Mr. Ko Yuen Fai, Mr. Ko Yuen Kwan, Mr. Ko Yuen San, Mr. Ko Yuen Sing, Ms. Kwok Lo Ming, Ms. Meng Li, Mr. Sze Tung, Mr. Yeung Tak Kuen and Mr. Chan Pui Chuen, respectively. As DTTKF and Ms. Kou will be directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company immediately following the [REDACTED], each of DTTKF and Ms. Kou shall be regarded as a Controlling Shareholder under the GEM Listing Rules.

In addition, on the basis that Ms. Kou Luen, Mr. Chan, Mr. Chiu, Mr. Ko Yuen Fai, Mr. Ko Yuen Kwan, Mr. Ko Yuen San, Mr. Ko Yuen Sing, Ms. Kwok Lo Ming, Ms. Meng Li, Mr. Sze Tung, Mr. Yeung Tak Kuen and Mr. Chan Pui Chuen (the “**Other DTTKF Shareholders**”) together with Ms. Kou hold their respective interest in our Company through a common investment holding company, namely, DTTKF, the Other DTTKF Shareholders are regarded as a group of Controlling Shareholders of our Company together with Ms. Kou and DTTKF.

Further, on 22 May 2017, all shareholders of DTTKF and DTTKF entered into the DTTKF Shareholders Agreement. Set out below is the summary of the material terms and conditions of the DTTKF Shareholders Agreement:

- (i) except with the unanimous written approval of all the shareholders of DTTKF, no action shall be taken or resolution shall be passed by the board of DTTKF or by DTTKF in respect of certain matters relating to the operation of DTTKF;
- (ii) if any of the shareholders of DTTKF (other than Ms. Kou) (the “**Selling Shareholder**”) proposes to transfer any shares or any interest in DTTKF, Ms. Kou shall have a right of first refusal with respect to such transfer;
- (iii) if Ms. Kou has not elected to purchase all of the shares of DTTKF proposed to be transferred to her (the “**Sale Shares**”) by the Selling Shareholder, DTTKF shall repurchase the Sale Shares from the Selling Shareholder and transfer the corresponding number of Shares of our Company owned by DTTKF (which shall be calculated with reference to the following formula) to the Selling Shareholder as consideration for the repurchase of the Sale Shares:

$$\frac{\text{Total number of Sale Shares}}{\text{Total number of issued shares of DTTKF}} \times \text{Total number of Shares of our Company owned by DTTKF}$$

- (iv) the shareholders of DTTKF agree that they shall, and they shall procure DTTKF to, comply with all laws and regulations of Hong Kong and BVI and, if applicable, the GEM Listing Rules.

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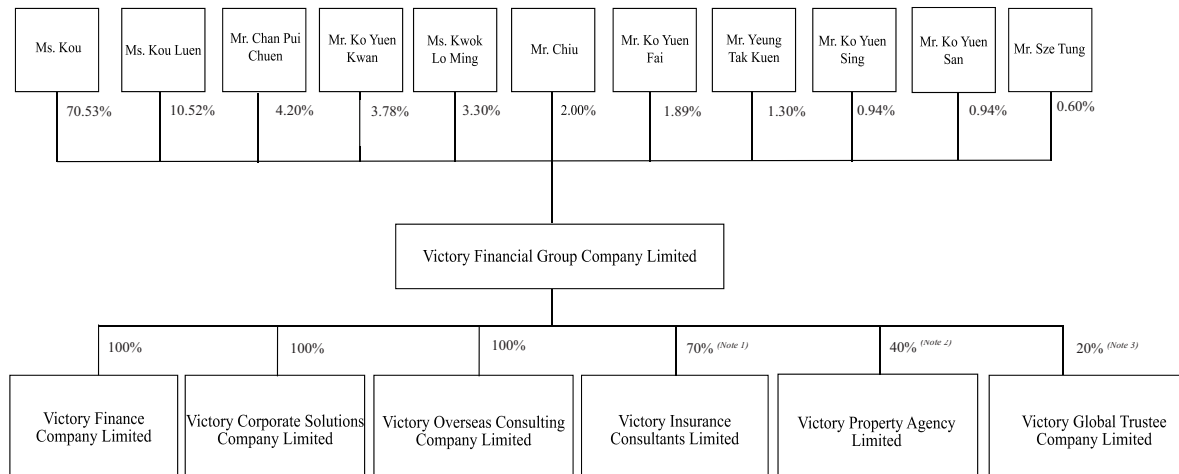
For details of the background of each of our Controlling Shareholders, please refer to the sections headed “History, Development and Reorganisation” and “Directors, Senior management and Staff” in this document.

OTHER BUSINESS CONTROLLED BY CONTROLLING SHAREHOLDERS

During the Track Record Period, Victory Securities (HK) owned 420,000 shares of Victory Financial Group Company Limited constituting 4.2% of its total issued share capital. On 3 March 2016, Victory Securities (HK) sold 420,000 shares of Victory Financial Group Company Limited to Mr. Chan Pui Chuen at a consideration of HK\$420,000 with reference to the total paid up value of its issued shares. As a result of the said share transfer, Victory Securities (HK) ceased to own any shareholding interests in Victory Financial Group Company Limited. As at the Latest Practicable Date, Victory Financial Group Company Limited was owned by some of our Controlling Shareholders.

Victory Financial Group Company Limited is an investment holding company and it has four subsidiaries and two associate companies (collectively, the “**Victory Financial Group**”). As confirmed by the Directors, Victory Financial Group recorded a consolidated profit of HK\$1.4 million for the year ended 31 December 2016, based on its audited consolidated financial statements; and a consolidated loss of HK\$0.7 million for the year ended 31 December 2017, based on its management accounts.

The following diagram illustrates the shareholding and corporate structure of Victory Financial Group as at the Latest Practicable Date:



Notes:

- Loyal Insurance Consultants Limited, an Independent Third Party, owns the remaining 30% of the total issued shares of Victory Insurance Consultants Limited.
- Mr. Lam Kwai Wah, an Independent Third Party, owns the remaining 60% of the total issued shares of Victory Property Agency Limited.
- Each of Mr. Ko Yuen Kwan, Mr. Yeung Tak Kuen, Mr. Chiu and Mr. Chan Pui Chuen owns in equal shares of the remaining 80% of the total issued shares of Victory Global Trustee Company Limited.
- Each of the shareholders of Victory Financial Group Company Limited is a Controlling Shareholder.

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Set out below is a summary of the principal business activities of the members of the Victory Financial Group:

Name of the company	Principal business activities
Victory Finance Company Limited	provision of money lending services
Victory Corporate Solutions Company Limited	provision of company incorporation services, company secretarial services and company administration services
Victory Overseas Consulting Company Limited	provision of immigration advice services and overseas education advice services
Victory Insurance Consultants Limited	provision of insurance services including personal insurance, general insurance, group insurance and commercial insurance
Victory Property Agency Limited	provision of property agency services
Victory Global Trustee Company Limited	provision of trustee services for family and corporate trust

While our Group and Victory Finance Company Limited are both engaged in providing finance to clients, set out below is a summary of the major differences between our business and that of Victory Finance Company Limited:

	Our Group	Victory Finance Company Limited
Nature of services provided and financial needs of the clients:	Provision of financial accommodation, which is ancillary to our securities broking services, to our clients who wish to purchase securities on the Stock Exchange or make applications for IPOs	Provision of loans for clients to cater their general financial needs
Types of securities:	Equity and debt securities listed on the Stock Exchange	Properties
Interest rate:	In general, in the range from 1% to 10% per annum during the Track Record Period	In general, in the range from 10% to 18% per annum during the Track Record Period <i>(Note)</i>

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	Our Group	Victory Finance Company Limited
Regulatory regimes:	Licensed 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 it shall not provide a service of managing a portfolio of futures contracts for another person) regulated activities under the SFO, which are supervised by the SFC	Licensed to carry out business as a money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), which is supervised by the Commissioner of Police

Note: During the Track Record Period and up to the Latest Practicable Date, Victory Finance Company Limited granted loans to one of its clients at an interest rate of 3.0% per annum and another client at an interest rate of 5.5% per annum. Notwithstanding the said loan transactions, pursuant to the Deed of Non-Competition, our Controlling Shareholders have undertaken that upon [REDACTED], the interest rate offered by Victory Finance Company Limited will not be lower than the interest rate offered by our Group.

The principal business of our Group is the provision of securities brokerage services. The provision of margin financing services is only ancillary to our Group’s securities brokerage services. The provision of loan to our clients is only to facilitate them to purchase securities listed on the Stock Exchange or make applications for IPOs. Our clients can only use the loan granted to them for such specific purposes and our Group can hold the relevant securities as collaterals. On the other hand, Victory Finance Company Limited aims at providing loans for clients to cater for their general financial needs and it usually requires their clients to charge their properties as security for such loans.

During the Track Record Period, the interest rates charged by Victory Finance Company Limited on its loans generally range from 10% to 18% per annum, which are much higher than the margin loan interest rates of 1% to 10% per annum charged by our Group. Our Directors are of the view that, for the sake of saving interests, clients who wish to borrow money for purchasing securities listed on the Stock Exchange or making applications for IPOs would prefer utilising financing services of our Group to obtaining loans from Victory Finance Company Limited.

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Given that (i) the nature of our financing services and the financial needs of our clients are different from those of Victory Finance Company Limited; (ii) different types of securities are required by us and Victory Finance Company Limited; (iii) different interest rates are charged by us and Victory Finance Company Limited; (iv) Victory Finance Company Limited and our Group are regulated under different regulatory regimes in Hong Kong; (v) the nature of services provided by our Group is different from that of the other companies of Victory Financial Group; and (vi) only insignificant number of our active clients are also the clients of Victory Financial Group and the services provided to these overlapping clients by Victory Financial Group were money lending, insurance and trustee services (among these overlapping clients, only 4, 5 and 3 out of 1,862, 1,279 and 1,287 of our active clients engaged Victory Financial Group for money lending services), our Directors are of the view that there is a clear business delineation between Victory Financial Group and us and there exists no competition between our Controlling Shareholders and us. The business conducted by Victory Financial Group is a standalone segment which operates independently of our business.

Save as disclosed above, each of our Controlling Shareholders, our substantial shareholders, our Directors and their respective close associates does not have any interest in a business apart from our business which competes or is likely to compete, directly or indirectly, with our business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, we are capable of carrying on our businesses independently of, and do not place undue reliance on, our Controlling Shareholders, our substantial shareholders, their respective close associates (including Victory Financial Group) or any other parties, taking into account the following factors:

(i) Financial independence

Our Directors consider that we will be financially independent of our Controlling Shareholders and any of their respective close associates (including Victory Financial Group) upon [REDACTED]. All loans due to our Controlling Shareholders have been fully settled using our internal resources before the Latest Practicable Date, and that all guarantees provided by certain Directors and Controlling Shareholders for our borrowings (for details, please refer to the paragraph headed “Financial Information — Indebtedness” in this document) will be fully released upon the [REDACTED]. Moreover, as at the Latest Practicable Date, we did not have any financing arrangements with Victory Financial Group. Further, we have our own internal control and accounting systems, finance department, independent treasury function for cash receipts and payment and independent access to third-party financing. Our Directors are satisfied that we are capable of conducting our business independently from any of our Controlling Shareholders (and their respective close associates (including Victory Financial Group)) after we are [REDACTED] on the Stock Exchange.

In view of our internal resources and the estimated [REDACTED] from the [REDACTED], our Directors consider that our Group will have sufficient capital for its financial needs. Our Directors further consider that, upon the [REDACTED], we are capable of obtaining financing from external sources independently without the support of our Controlling Shareholders or their respective close associates (including Victory Financial Group).

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(ii) Operational independence

We have established our own organisational structure, and each department is assigned to specific areas of responsibilities. We are able to operate independently from our Controlling Shareholders and their respective close associates (including Victory Financial Group) after the [REDACTED]. We have also established a set of internal control policies to facilitate the effective operation of our business.

Except for the continuing connected transactions entered into by the relevant connected persons and us as set out in the section headed “Connected Transactions” in this document, our Group has not entered into any connected transaction with any of our Controlling Shareholders and their respective close associates (including Victory Financial Group) that will continue after the [REDACTED].

In addition, we have obtained all necessary licences for our business operation and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders and their respective close associates (including Victory Financial Group).

(iii) Management independence

We have an independent management team comprising our executive Directors and senior management who have substantial experience in our business. Our management team is able to implement our policies and strategies and performs its roles independently.

We aim at establishing and maintaining a strong and independent Board to oversee our Group’s business. Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions. The main functions of our Board include approving our overall business plans and strategies, monitoring the implementation of these plans and strategies and the overall management of our Group.

We will have three common directors with DTTKF (our Controlling Shareholder), namely Ms. Kou, Mr. Chiu and Mr. Chan. Despite the common directorship, we believe that management independence between DTTKF and us will be maintained as DTTKF is an investment holding company, the only significant business interest of which is our Group.

As at the Latest Practicable Date, there is no overlapping of directors between our Group and Victory Financial Group except that Ms. Chan Pui King (daughter of Ms. Kou and Mr. Chan), who is a director of Victory (Nominees), is also a director of Victory Financial Group Company Limited, Victory Finance Company Limited, Victory Insurance Consultants Limited, Victory Corporate Solutions Company Limited, Victory Global Trustee Company Limited and Victory Overseas Consultant Company Limited. Given that Ms. Chan Pui King does not participate in the day-to-day management of these companies and Victory (Nominees) is a dormant company, our Directors are of the view that our Group is able to operate independently from Victory Financial

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Group. Further, each of our directors of our Group is aware of his/her fiduciary duties as a director which requires, among other things, that he/she acts for the benefit and in the best interests of our Group and Shareholders as a whole, and does not allow any conflict between his/her duties as a director and his/her personal interest to exist. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and its directors or their respective close associates, the interested director(s) shall abstain from voting at the relevant board meetings in respect of such transactions and shall not be counted in the quorum.

Our Board and the senior management operate as a matter of fact independently of our Controlling Shareholders and their respective close associates (including Victory Financial Group) and they are in a position to fully discharge their duties to the Shareholders and us as a whole after the [REDACTED] without reference to our Controlling Shareholders and their respective close associates (including Victory Financial Group).

DEED OF NON-COMPETITION

In connection with the [REDACTED], each of our Controlling Shareholders (collectively, the "Covenants" and each a "Covenant") entered into the Deed of Non-Competition with our Company pursuant to which each of the Covenants has, among other things, irrevocably and unconditionally undertaken with our Company (for itself and as trustee for its subsidiaries), on a joint and several basis, that at any time during the Relevant Period (as defined below), such Covenantor shall not, and shall procure that neither their respective associates nor companies controlled by the Covenants (other than the members of our Group) will, (i) directly or indirectly, be interested in or involved in or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder (other than being a director or shareholder of any member of our Group), partner, agent or otherwise) in any form of business, including, whether for profit, reward or otherwise, any joint venture, alliance, cooperation, partnership which competes or is likely to compete directly or indirectly with the business carried on or contemplated to be carried on by our Group from time to time (the "Restricted Activity"); nor provide support in any form to persons other than the members of our Group to engage in business that constitute or may constitute direct or indirect competition with the businesses that our Group is currently and from time to time carrying on; (ii) solicit any existing employee of our Group for employment by him/her/it or his/her/its close associates or companies controlled by him/her/it; (iii) solicit or procure any of the suppliers and/or the customers of our Group from time to time to terminate their business relationships or otherwise reduce the amount of business with our Group; (iv) solicit or procure any of the directors, senior management or other employees of our Group from time to time to resign or otherwise cease providing services to our Group; and (v) without the prior written consent of our Company, make use of any information pertaining to the business of our Group which may have come to his/her/its knowledge for any purpose of engaging, investing or participating in any Restricted Activity.

Such non-competition undertaking does not apply to holding shares of a company which conducts or is engaged in any Restricted Activity, provided that, such shares are listed on a recognised stock exchange and: (a) the total number of the shares held by the Covenants and/or their respective associates (individually and in aggregate) does not amount to more than 5% of the issued shares of such company; and (b) the Covenants and/or their respective associates are not entitled to appoint a majority of the directors or management of that company.

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Under the Deed of Non-Competition, the Covenantors further undertake to our Company the following:

- (i) in the event the Covenantors or any of their associates (other than members of our Group) are given any business opportunity that is or may involve direct or indirect competition with the business of our Group, the Covenantors shall provide our Group with a written notice in respect of the business opportunity and refer the business opportunity to our Group as soon as practicable and shall assist our Group to obtain such business opportunity in the terms being offered to any of the Covenantors or their associates;
- (ii) during the term of the Deed of Non-Competition, each of the Covenantors agrees to indemnify and keep indemnified at all times our Company and other members of our Group on demand against any loss or liability suffered by our Company and/or other members of our Group arising out of any breach of any of the Covenantor's undertakings and/or obligations under the Deed of Non-Competition, including any costs and expenses (including legal expenses) incurred as a result of such breach provided that the indemnity contained in this paragraph shall be without prejudice to any of the other rights and remedies of our Company or any members of our Group in relation to any such breach;
- (iii) the Covenantors shall allow, and shall procure its/his/her associates to allow, the independent non-executive Directors to review, at least on an annual basis, the compliance with the terms of the Deed of Non-Competition by the Covenantors, and the options, pre-emptive rights or first rights of refusals provided by the Covenantors on their existing or future competing business;
- (iv) the decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-Competition (including without limitation the exercise of options or first rights of refusal, if any) shall be disclosed either through the annual report of our Company, or by way of announcements published by our Company to the public;
- (v) any new business opportunities under the Deed of Non-Competition and all other matters determined by our Board as having a potential conflict of interest with the Covenantors will be referred to the independent non-executive Directors of our Company for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on these matters. In the event any new business opportunities presented by or otherwise arising in connection with any of the Covenantors are turned down by our Group according to the Deed of Non-Competition, our Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of our Company;
- (vi) the annual report of our Company will include the views and decisions, with bases, of the independent non-executive Directors of our Company on whether to take up any new opportunities under the Deed of Non-Competition or other matters having a potential conflict of interest with the Covenantors that have been referred to the independent non-executive Directors;

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- (vii) the Covenantors shall, upon demand, promptly provide, and shall procure its/his/her associates to provide, all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (viii) the Covenantors shall make an annual declaration, to our Company and our independent non-executive Directors relating to the compliance with the Deed of Non-Competition for us to disclose in our corporate governance report in the annual report of our Company;
- (ix) when any business opportunity is referred to any members of our Group by any Covenantors, the independent non-executive Directors will consider such opportunity on the various aspects including viability and profitability. If any Covenantor is materially interested in such opportunity, then that Covenantor who has referred such business opportunity to the member of our Group shall not be counted in the quorum and must abstain from voting on matters relating to such business opportunity when such business opportunity is being considered at the board meeting; and
- (x) the Covenantors undertake, and undertake to procure its/his/her associates to ensure, that the interest rate offered by Victory Finance Company Limited will not be lower than the interest rate offered by our Group.

The Covenantors shall be entitled to pursue business opportunity that is or may involve direct or indirect competition with the businesses of our Group only after such business opportunity is being turned down by our Group as set out in paragraph (v) above.

Where the Covenantors and/or their associates (other than our Group) have acquired any business investment or interest in any entity relating to the Restricted Activity pursuant to Deed of Non-Competition, the relevant Covenantors and/or their associates (other than our Group) shall provide our Group with pre-emptive right (“**Pre-emptive Right**”) to acquire any such interest in Restricted Activity under the same circumstances. Where the independent board committee of our Company decides to waive the Pre-emptive Right by way of written notice, the relevant Covenantors and/or their associates (other than our Group) may offer to sell such business investment or interest in the Restricted Activity to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the above Pre-emptive Right, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

For the above purpose, the “Relevant Period” means the period commencing on the [REDACTED] and expiring on the earlier of (i) the date upon which the Shares cease to be [REDACTED] on the Stock Exchange; or (ii) the date upon which (a) the Covenantors, individually or collectively (whether or not with their respective associates), cease to own, directly or indirectly, 30% or more of the then issued share capital of our Company (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer as required thereunder); (b) the Covenantors cease to control the composition of a majority of the Board; and (c) none of the Covenantors, nor any of their respective associates remain as a director or senior management of our Company.

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CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of our Shareholders:

- (1) our independent non-executive Directors will review, on an annual basis, the Deed of Non-Competition to ensure compliance with the non-competition undertaking by our Controlling Shareholders;
- (2) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (3) our Company will disclose decision and its basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition in the annual reports of our Company or by way of announcement to the public;
- (4) our Controlling Shareholders have undertaken to provide an annual confirmation to our Company confirming that each of our Controlling Shareholders and his/her/its close associates have not breached the terms of the undertakings contained in the Deed of Non-Competition; and
- (5) our Controlling Shareholders will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests in relation to the Restricted Activity.