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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)

**CONNECTED TRANSACTIONS:
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
OF VICTORY INSURANCE**

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF VICTORY INSURANCE

The Board announces that after trading hours on 15 August 2019, Victory Securities (BVI), a wholly-owned subsidiary of the Company, entered into the SPA I and the SPA II with Victory Financial Group and Loyal Insurance, respectively. Pursuant to the Agreements, Victory Securities (BVI) conditionally agreed to purchase, and Victory Financial Group and Loyal Insurance conditionally agreed to sell, Sale Shares I and Sale Shares II respectively for a cash consideration of HK\$3,360,000 and HK\$1,440,000 respectively.

The Agreements are not inter-conditional with each other.

The Sale Shares represent the entire issued share capital of Victory Insurance. Upon completion of the Acquisitions, Victory Securities (BVI) will hold the entire issued share capital of Victory Insurance. In the event that Acquisition I is completed but Acquisition II is not completed, Victory Securities (BVI) will own 70% of the total issued shares of Victory Insurance. In the event that Acquisition II is completed but Acquisition I is not completed, Victory Securities (BVI) will own 30% of the total issued shares of Victory Insurance. Victory Insurance is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of insurance brokerage services including personal insurance, general insurance, group insurance and commercial insurance.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, Victory Financial Group is owned as to 70.53% by Ms. Kou Kuen (an executive Director and the chief executive officer of the Company), 4.20% by Mr. Chan Pui Chuen (an executive Director and a joint company secretary of the Company), 2.0% by Mr. Chiu Che Leung Stephen (an executive director and the chief operating officer of the Company) and the remaining 23.27% by Other Controlling Shareholders. Victory Financial Group is a 30%-controlled company directly held by Ms. Kou Kuen (an executive Director and the chief executive officer of the Company) and is therefore a connected person (as defined under the GEM Listing Rules) of the Company, and the Acquisition I constitutes as a connected transaction of the Company under the GEM Listing Rules. As Victory Financial Group is a substantial shareholder of Victory Insurance, the Acquisition II also constitutes a connected transaction of the Company pursuant to Rule 20.26 of the GEM Listing Rules, notwithstanding that Loyal Insurance is not a connected person of the Company. Given that the Agreements are related to the acquisition of the entire issued share capital of Victory Insurance, the Acquisitions are aggregated pursuant to Rule 20.79 of the GEM Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisitions is less than 5%, the Acquisitions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

The Board announces that after trading hours on 15 August 2019, Victory Securities (BVI), a wholly-owned subsidiary of the Company, entered into the SPA I and the SPA II with Victory Financial Group and Loyal Insurance, respectively. Pursuant to the Agreements, Victory Securities (BVI) conditionally agreed to purchase, and Victory Financial Group and Loyal Insurance conditionally agreed to sell, Sale Shares I and Sale Shares II respectively for a cash consideration of HK\$3,360,000 and HK\$1,440,000 respectively.

THE AGREEMENTS

	SPA I	SPA II
Date	: 15 August 2019	15 August 2019
Purchaser	: Victory Securities (BVI)	Victory Securities (BVI)
Vendor	: Victory Financial Group, a company incorporated in Hong Kong with limited liability and principally engaged in investment holding. Further particulars of Victory Financial Group is set out in section headed “Information on Victory Insurance and the Vendors” below.	Loyal Insurance, a company incorporated in Hong Kong with limited liability and principally engaged in the provision of insurance consultancy services. Further particulars of Loyal Insurance is set out in section headed “Information on Victory Insurance and the Vendors” below.
Assets to be acquired	: Victory Securities (BVI) conditionally agreed to purchase, and Victory Financial Group conditionally agreed to sell, the Sale Shares I. Further particulars of Victory Insurance is set out in section headed “Information on Victory Insurance and the Vendors” below.	Victory Securities (BVI) conditionally agreed to purchase, and Loyal Insurance conditionally agreed to sell, the Sale Shares II. Further particulars of Victory Insurance is set out in section headed “Information on Victory Insurance and the Vendors” below.

Consideration : The consideration of HK\$3,360,000 shall be payable to Victory Financial Group on the date of Completion I in cash. Such consideration shall be funded by the internal resources of the Group. The consideration was determined after arm's length negotiations between the parties to the SPA I on normal commercial terms with reference to the appraised value of the entire issued share capital of Victory Insurance as at the Valuation Reference Date, being approximately HK\$4,800,000 according to the Valuation Report, based on market approach.

The consideration of HK\$1,440,000 shall be payable to Loyal Insurance on the date of Completion II in cash. Such consideration shall be funded by the internal resources of the Group. The consideration was determined after arm's length negotiations between the parties to the SPA II on normal commercial terms with reference to the appraised value of the entire issued share capital of Victory Insurance as at the Valuation Reference Date, being approximately HK\$4,800,000 according to the Valuation Report, based on market approach.

Conditions precedent : Completion I is conditional upon and subject to the following conditions precedent:

(1) the Company having obtained all necessary consents, approval, waivers and authorisations in connection with the Acquisition I;

(2) Victory Financial Group having performed and complied with all agreements, obligations and covenants contained in the SPA I that are required to be performed or complied with by it at or prior to the Completion I in all material respects;

Completion II is conditional upon and subject to the following conditions precedent:

(1) the Company having obtained all necessary consents, approval, waivers and authorisations in connection with the Acquisition II;

(2) Loyal Insurance having performed and complied with all agreements, obligations and covenants contained in the SPA II that are required to be performed or complied with by it at or prior to the Completion II in all material respects;

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| <p>(3) the warranties given by Victory Securities (BVI) under the SPA I being true and accurate and not misleading at Completion I; and</p> <p>(4) the warranties given by Victory Financial Group under the SPA I being true and accurate and not misleading at Completion I.</p> | <p>(3) the warranties given by Victory Securities (BVI) under the SPA II being true and accurate and not misleading at Completion II; and</p> <p>(4) the warranties given by Loyal Insurance under the SPA II being true and accurate and not misleading at Completion II.</p> |
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The satisfaction of the condition precedent (3) above is capable of being waived by Victory Financial Group. The satisfaction of the conditions precedent (2) and (4) above is capable of being waived by Victory Securities (BVI). Save as aforesaid, none of the conditions precedent is capable of being waived by Victory Securities (BVI) or Victory Financial Group.

The satisfaction of the condition precedent (3) above is capable of being waived by Loyal Insurance. The satisfaction of the conditions precedent (2) and (4) above is capable of being waived by Victory Securities (BVI). Save as aforesaid, none of the conditions precedent is capable of being waived by Victory Securities (BVI) or Loyal Insurance.

<p>Completion :</p>	<p>The Completion I shall take place on the third Business Day after the conditions precedent (other than such conditions precedent which can be satisfied only at Completion I) are fulfilled or waived (or such other date as Victory Securities (BVI) and Victory Financial Group shall agree in writing).</p>	<p>The Completion II shall take place on the third Business Day after the conditions precedent (other than such conditions precedent which can be satisfied only at Completion II) are fulfilled or waived (or such other date as Victory Securities (BVI) and Loyal Insurance shall agree in writing).</p>
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The Agreements are not inter-conditional with each other.

The Sale Shares represent the entire issued share capital of Victory Insurance. Upon completion of the Acquisitions, Victory Securities (BVI) will hold the entire issued share capital of Victory Insurance. In the event that Acquisition I is completed but Acquisition II is not completed, Victory Securities (BVI) will own 70% of the total issued shares of Victory Insurance. In the event that Acquisition II is completed but Acquisition I is not completed, Victory Securities (BVI) will own 30% of the total issued shares of Victory Insurance.

INFORMATION ON VICTORY INSURANCE AND THE VENDORS

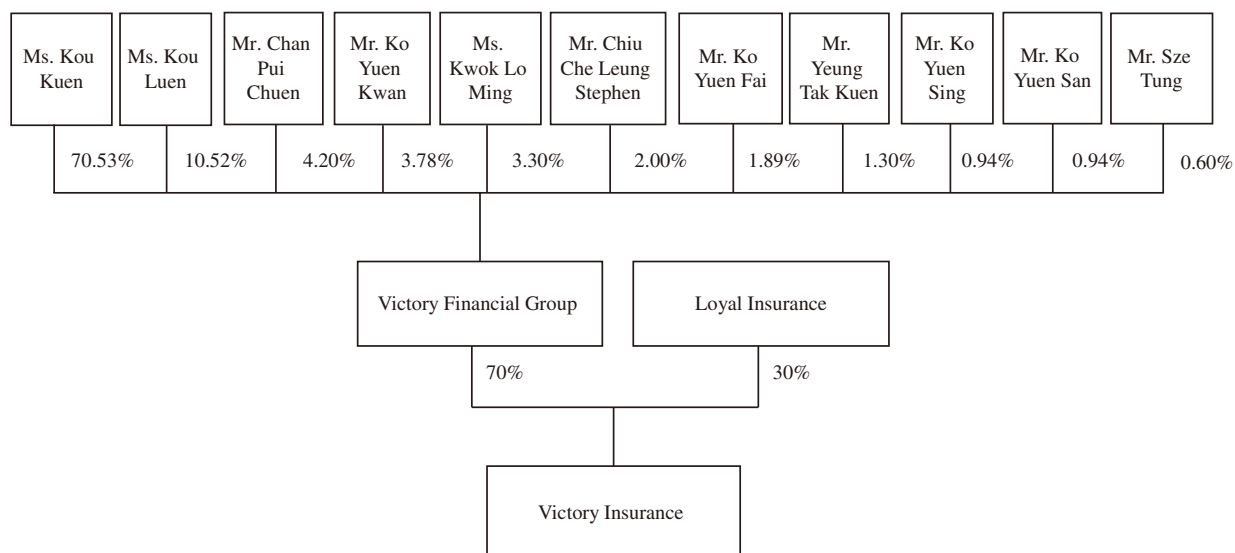
As at the date of this announcement, Victory Insurance is owned as to 70% by Victory Financial Group and 30% by Loyal Insurance.

Victory Financial Group is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

Loyal Insurance is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of insurance consultancy services. Loyal Insurance and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Victory Financial Group is owned as to 70.53% by Ms. Kou Kuen (an executive Director and the chief executive officer of the Company), 4.20% by Mr. Chan Pui Chuen (an executive Director and a joint company secretary of the Company), 2.00% by Mr. Chiu Che Leung Stephen (an executive director and the chief operating officer of the Company) and the remaining 23.27% by Other Controlling Shareholders.

The group structure of Victory Insurance as at the date of this announcement is set out below:



Victory Insurance is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of insurance brokerage services including personal insurance, general insurance, group insurance and commercial insurance.

Set out below is a summary of certain audited financial information of Victory Insurance for the two years ended 31 December 2018:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)
Revenue	2,528,412	4,669,846
Profit before tax	132,484	905,706
Profit after tax	128,223	786,722

The unaudited total assets and net assets of the Victory Insurance as at 30 June 2019 were HK\$2,851,458 and HK\$2,505,035, respectively. The total original acquisition costs of Sale Shares I was HK\$700,000 (60% of the issued shares of Victory Insurance was acquired by Victory Financial Group in June 2013 for HK\$600,000 and the remaining 10% of the issued shares of Victory Insurance was acquired by Victory Financial Group in November 2013 at HK\$100,000). The total original acquisition costs of Sale Shares II was HK\$260,000 (20% of the issued shares of Victory Insurance was acquired by Loyal Insurance in June 2012 for HK\$160,000 and the remaining 10% of the issued shares of Victory Insurance was acquired by Loyal Insurance in November 2013 at HK\$100,000).

Upon completion of the Acquisitions, Victory Securities (BVI) will hold the entire issued share capital of Victory Insurance.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group is principally engaged in the provision of securities broking services. Along with its subsidiaries, the Company operate its business through three segments. The securities broking services segment offers securities broking services through the multi-platform online trading system. In addition, the segment provide placing services and ancillary services including settlement services, account servicing, corporate-action-related services and other miscellaneous services. The financing services segment involves in the provision of margin financing and short-term initial public offering (IPO) financing services. The asset management services segment offers asset management services on a discretionary account basis.

The Group believes that there will be a tremendous demand for wealth management services to help high net worth PRC individuals better allocate their asset portfolio and diversify investment risks. These high net worth PRC individuals will look for quality wealth management services to realise their wealth management goals and will demand for wealth management services with tailored professional advice and sophisticated asset allocation system to diversify their investment risk.

The Acquisitions will enable the Group to provide progressive, pragmatic and quality wealth management plans with regular analysis of market trends, along with flexible wealth management solutions to help clients to broaden their investment horizons. Victory Insurance has experienced and professional staff who are ready to render personalised services. The Group can provide more diversified products to its target clients immediately after the Acquisitions so as to capture the business opportunities from these clients, thereby enhancing the profitability of the Group.

As the Agreements are not inter-conditional, there is a possibility that only Acquisition II proceeds to completion and Victory Insurance will be owned as to 30% by the Company. The Group believes that this is also beneficial to the Group as this could create synergy between the insurance brokerage service and the existing businesses of the Group.

The respective terms of the Agreements were determined after arm's length negotiations between the parties thereto. In light of the above reasons, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreements are fair and reasonable, the Acquisitions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, Victory Financial Group is owned as to 70.53% by Ms. Kou Kuen (an executive Director and the chief executive officer of the Company), 4.20% by Mr. Chan Pui Chuen (an executive Director and a joint company secretary of the Company), 2.0% by Mr. Chiu Che Leung Stephen (an executive director and the chief operating officer of the Company) and the remaining 23.27% by Other Controlling Shareholders. Victory Financial Group is a 30%-controlled company directly held by Ms. Kou Kuen (an executive Director and the chief executive officer of the Company) and is therefore a connected person (as defined under the GEM Listing Rules) of the Company, and the Acquisition I constitutes as a connected transaction of the Company under the GEM Listing Rules. As Victory Financial Group is a substantial shareholder of Victory Insurance, the Acquisition II also constitutes a connected transaction of the Company pursuant to Rule 20.26 of the GEM Listing Rules notwithstanding that Loyal Insurance is not a connected person of the Company. Given that the Agreements are related to the acquisition of the entire issued share capital of Victory Insurance, the Acquisitions are aggregated pursuant to Rule 20.79 of the GEM Listing Rules.

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Acquisitions is less than 5%, the Acquisitions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

Ms. Kou Kuen (an executive Director and the chief executive officer of the Company), Mr. Chan Pui Chuen (an executive Director and a joint company secretary of the Company) and Mr. Chiu Che Leung Stephen (an executive director and the chief operating officer of the Company) are shareholders of Victory Financial Group, therefore, are deemed to have material interests in the Acquisitions. Mr. Chan Ying Kit (a non-executive Director and the chairman of the Board), being an associate of Ms. Kou Kuen is also deemed to have material interests in the Acquisitions. Ms. Kou Kuen, Mr. Chan Pui Chuen, Mr. Chiu Che Leung Stephen and Mr. Chan Ying Kit have abstained from voting on the relevant resolutions in the Board meeting approving the Acquisitions. Other than those Directors mentioned above, none of the other Directors has a material interest in the Acquisitions.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition I”	the acquisition of the Sale Shares I by Victory Securities (BVI) pursuant to the terms and conditions of the SPA I
“Acquisition II”	the acquisition of the Sale Shares II by Victory Securities (BVI) pursuant to the terms and conditions of the SPA II
“Acquisitions”	collectively, the Acquisition I and the Acquisition II
“Agreements”	collectively, the SPA I and the SPA II
“associate”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than any Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are open for the transaction of normal business
“Company”	Victory Securities (Holdings) Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM
“Completion I”	the completion of the Acquisition I

“Completion II”	the completion of the Acquisition II
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Loyal Insurance”	Loyal Insurance Consultants Limited, a company incorporated in Hong Kong with limited liability
“Other Controlling Shareholders”	Ms. Kou Luen, Mr. Ko Yuen Kwan, Ms. Kwok Lo Ming, Mr. Ko Yuen Fai, Mr. Yeung Tak Kuen, Mr. Ko Yuen Sing, Mr. Ko Yuen San and Mr. Sze Tung
“Sale Shares”	collectively, the Sale Shares I and the Sale Shares II
“Sale Shares I”	700,000 shares of Victory Insurance, representing 70% of the total issued shares of Victory Insurance
“Sale Shares II”	300,000 shares of Victory Insurance, representing 30% of the total issued shares of Victory Insurance
“Shareholder(s)”	the shareholders of the Company
“SPA I”	the share purchase agreement dated 15 August 2019 entered into between Victory Securities (BVI) and Victory Financial Group in relation to the Acquisition I
“SPA II”	the share purchase agreement dated 15 August 2019 entered into between Victory Securities (BVI) and Loyal Insurance in relation to the Acquisition II
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Reference Date”	30 June 2019, being the reference date adopted by the Valuer in the Valuation Report

“Valuation Report”	the valuation report dated 15 August 2019 signed by the Valuer on the appraised value of the entire issued share capital of Victory Insurance as at the Valuation Reference Date
“Valuer”	GW Financial Advisory Services Limited, an independent valuer
“Vendors”	collectively, Victory Financial Group and Loyal Insurance
“Victory Financial Group”	Victory Financial Group Company Limited, a company incorporated in Hong Kong with limited liability
“Victory Insurance”	Victory Insurance Consultants Limited, a company incorporated in Hong Kong with limited liability
“Victory Securities (BVI)”	Victory Securities Holding Ltd., a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“30%-controlled company”	has the meaning ascribed to it in the GEM Listing Rules

By Order of the Board
Victory Securities (Holdings) Company Limited
Chan Ying Kit
Chairman

Hong Kong, 15 August 2019

As at the date of this announcement, 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. Leung Kwong Kin, Mr. Liu Chun Ning Wilfred and Dr. Yan Ka Shing.

This announcement, 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 Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

This announcement 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).