



Victory Securities (Holdings) Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8540

THIRD QUARTERLY REPORT | **2019**



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CONTENTS

	Page
FINANCIAL HIGHLIGHTS	3
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	4
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	8
MANAGEMENT DISCUSSION AND ANALYSIS	26
OTHER INFORMATION	37

FINANCIAL HIGHLIGHTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited) (restated)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited) (restated)
Revenue	12,292,517	15,275,611	44,231,186	50,285,176
Other operating expenses	3,431,819	9,734,308	11,682,558	21,405,680
(Loss)/profit for the period	(1,230,001)	(2,510,013)	6,898,718	5,625,947
Basic and diluted (loss)/earnings per share (in HK cents)	(0.62)	(1.31)	3.45	3.43

Revenue for the nine months ended 30 September 2019 was approximately 12.0% lower than the nine months ended 30 September 2018, reflecting the decrease in revenue contributed by placing and underwriting services and decrease in brokerage income due to decrease in market turnover of the Hong Kong stock market from HK\$21,110.99 billion for the nine months ended 30 September 2018 to HK\$16,658.90 billion for the nine months ended 30 September 2019.

Profit for the nine months ended 30 September 2019 increased by approximately 22.6% as compared to the nine months ended 30 September 2018 mainly due to decrease in listing expenses of HK\$6,679,213. If we excluded the listing expenses, profit for the nine months ended 30 September 2019 decreased by approximately 43.9% as compared to the nine months ended 30 September 2018, which was mainly due to the decrease in revenue and increase in staff costs.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2019. An interim dividend of HK1.20 cents per share was declared for the six months ended 30 June 2019 and paid to the shareholders of the Company on 13 September 2019.

The board of Directors (the "Board") of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the nine months ended 30 September 2019 together with the comparative figures for the corresponding period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 30 September 2019

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019 HK\$ (unaudited)	2018 HK\$ (unaudited) (restated)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited) (restated)
Revenue	4	12,292,517	15,275,611	44,231,186	50,285,176
Other income and gains/(losses), net	5	(1,497,034)	(121,975)	217,952	1,166,196
		10,795,483	15,153,636	44,449,138	51,451,372
Commission expenses		(2,053,150)	(2,560,914)	(7,092,538)	(8,491,804)
Depreciation		(723,176)	(559,242)	(2,178,839)	(1,601,413)
Staff costs		(4,711,761)	(3,872,814)	(13,009,914)	(10,602,523)
Other operating expenses		(3,431,819)	(9,734,308)	(11,682,558)	(21,405,680)
Impairment charge on accounts receivable, net		(72,200)	—	(115,231)	(106,681)
Share-based payment expenses		(72,650)	—	(204,670)	—
Finance costs	6	(879,660)	(523,442)	(2,327,662)	(1,464,349)
(Loss)/profit before tax	7	(1,148,933)	(2,097,084)	7,837,726	7,778,922
Income tax expense	8	(81,068)	(412,929)	(939,008)	(2,152,975)
(Loss)/profit for the period		(1,230,001)	(2,510,013)	6,898,718	5,625,947
Attributable to:					
Owners of the parent		(1,230,001)	(2,510,013)	6,898,718	5,625,947
(Loss)/earnings per share attributable to ordinary equity holders of the parent	9				
Basic and diluted (in HK cents)		(0.62)	(1.31)	3.45	3.43

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited) (restated)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited) (restated)
(LOSS)/PROFIT FOR THE PERIOD	(1,230,001)	(2,510,013)	6,898,718	5,625,947
OTHER COMPREHENSIVE (LOSS)/ INCOME				
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:				
Gain on revaluation of land and buildings held for own use				
— gross (loss)/gain	(1,101,787)	—	(167,184)	4,694,068
— deferred income tax effect	181,795	—	27,585	(774,521)
Other comprehensive (loss)/income for the period, net of tax	(919,992)	—	(139,599)	3,919,547
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	(2,149,993)	(2,510,013)	6,759,119	9,545,494
Attributable to:				
Owners of the parent	(2,149,993)	(2,510,013)	6,759,119	9,545,494

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

Note	Attributable to owners of the parent						Retained profits HK\$	Total HK\$
	Share capital HK\$	Share premium HK\$	Property revaluation reserve HK\$	Share option reserve HK\$	Merger reserve HK\$			
For the nine months ended 30 September 2019								
At 1 January 2019 (audited)	1,999,998	54,980,741	36,579,142	—	100,000,000	10,478,581	204,038,462	
Impact of adopting merger accounting	—	—	—	—	1,000,000	1,172,452	2,172,452	
Restated opening balance under merger accounting	1,999,998	54,980,741	36,579,142	—	101,000,000	11,651,033	206,210,914	
Profit for the period	—	—	—	—	—	6,898,718	6,898,718	
Other comprehensive loss for the period: Change in fair value of land and buildings, net of tax	—	—	(139,599)	—	—	—	(139,599)	
Total comprehensive (loss)/ income for the period	—	—	(139,599)	—	—	6,898,718	6,759,119	
Recognition of share-based payment expenses in respect of share options	—	—	—	204,670	—	—	204,670	
Acquisition of a subsidiary	—	—	—	—	(4,800,000)	—	(4,800,000)	
Final dividend	10	—	—	—	—	(3,000,000)	(3,000,000)	
Interim dividend	10	—	—	—	—	(2,400,000)	(2,400,000)	
At 30 September 2019 (unaudited)	1,999,998	54,980,741*	36,439,543*	204,670*	96,200,000*	13,149,751*	202,974,703	

Note	Attributable to owners of the parent							Total HK\$
	Share capital	Share premium	Property revaluation reserve	Share option reserve	Merger reserve	Retained profits		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
For the nine months ended 30 September 2018								
At 1 January 2018 (audited)	193	—	30,075,058	—	100,000,000	13,387,472	143,462,723	
Impact of adopting merger accounting	—	—	—	—	1,000,000	1,544,229	2,544,229	
Impact of adopting HKFRS 9	—	—	—	—	—	(34,444)	(34,444)	
Restated opening balance under HKFRS 9 and merger accounting	193	—	30,075,058	—	101,000,000	14,897,257	145,972,508	
Profit for the period (restated)	—	—	—	—	—	5,625,947	5,625,947	
Other comprehensive income for the period: Change in fair value of land and buildings, net of tax	—	—	3,919,547	—	—	—	3,919,547	
Total comprehensive income for the period	—	—	3,919,547	—	—	5,625,947	9,545,494	
Capitalisation issue of shares Issue of ordinary shares through placing	1,499,805	(1,499,805)	—	—	—	—	—	
Share issue expenses	500,000	62,000,000	—	—	—	—	62,500,000	
Interim dividend	—	(5,494,539)	—	—	—	—	(5,494,539)	
Special dividend	10	—	—	—	—	(2,000,000)	(2,000,000)	
	10	—	—	—	—	(8,000,000)	(8,000,000)	
At 30 September 2018 (unaudited) (restated)	1,999,998	55,005,656*	33,994,605*	—	101,000,000*	10,523,204*	202,523,463	

* These reserve accounts comprise the consolidated reserves of HK\$200,974,705 as at 30 September 2019 (2018: HK\$200,523,465) on the unaudited condensed consolidated statement of financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Victory Securities (Holdings) Company Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 22 August 2016. The registered office of the Company is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands.

The Company is an investment holding company. During the period, the Company's subsidiaries were principally engaged in the businesses of securities broking, placing and underwriting services and advising on securities services, financing services, asset management services, financial advisory services and insurance consultancy services in Hong Kong.

One of the subsidiaries is a licensed corporation under the Hong Kong Securities and Futures Ordinance (“**SFO**”) to carry out business of dealing in securities (Type 1), dealing in futures contracts (Type 2), advising on securities (Type 4) and asset management (Type 9, under the condition that it shall not provide a service of managing a portfolio of futures contracts for another person). The subsidiary is also a participant of the Stock Exchange.

Another subsidiary is a licensed corporation under the SFO to carry out business of advising on corporate finance (Type 6), under the condition that (i) it shall not hold client assets; (ii) shall only provide services to professional investors as defined in the SFO; (iii) shall not act as sponsor in respect of an application for the listing on a recognised stock market of any securities; and (iv) shall not advise on matters/ transactions falling within the ambit of the Codes on Takeovers and Mergers and Share Buy-Backs issued by the Securities and Futures Commission.

In the opinion of the Directors of the Company, the immediate and ultimate holding company of the Group is Dr. TT Kou's Family Company Limited, which was incorporated in the British Virgin Islands with limited liability.

As at the end of the period, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name *	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Victory Securities Holding Limited	British Virgin Islands/ Hong Kong	US\$50,000	100%	—	Investment holding
Victory Securities Company Limited	Hong Kong	HK\$145,000,000	—	100%	Securities broking and placing and underwriting services, advising on securities services, financing services and asset management services
Victory Insurance Consultants Limited	Hong Kong	HK\$1,000,000	—	100%	Provision of insurance consultancy services
GFVS Industry Investment Fund SPC#	Cayman Islands	US\$1	—	100%	Inactive
Victory VC Asset Management Company Limited	Hong Kong	HK\$1,000,000	—	100%	Dormant
VS Capital Limited	Hong Kong	HK\$2,500,000	—	100%	Provision of financial advisory services

GFVS Industry Investment Fund SPC was incorporated on 8 July 2019.

* Victory (Nominees) Limited was deregistered on 16 August 2019.

2 BASIS OF PREPARATION

The Company's annual consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules. These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. These unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for the investment property, land and buildings classified as property, plant and equipment, and financial assets at fair value through profit or loss which have been measured at fair value. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest dollar except when otherwise indicated.

Pursuant to the agreement for the sale and purchase of shares of Victory Insurance Consultants Limited ("**Victory Insurance**") dated 15 August 2019 entered into between Victory Securities Holding Limited ("**Victory Securities (BVI)**"), a wholly-owned subsidiary of the Company, with Victory Financial Group Company Limited ("**Victory Financial Group**") and Loyal Insurance Consultants Limited, Victory Securities (BVI) had completed the acquisition of the entire issued share capital of Victory Insurance (the "**Acquisition**") on 20 August 2019 at a total cash consideration of HK\$4,800,000.

As the Company and Victory Insurance were under common control of Ms. Kou Kuen ("**Ms. Kou**"), an ultimate substantial shareholder of both the Company and Victory Insurance since 22 August 2016, and Victory Insurance was ultimately controlled by Ms. Kou both before and after the Acquisition, the Acquisition was regarded as a business combination under common control and accounted for using the merger accounting basis in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The unaudited condensed consolidated financial statements was prepared as if the Acquisition had been completed at the beginning of accounting periods as presented in these unaudited condensed consolidated financial statements, or at the date when the Company and Victory Insurance were under common control, whichever the later. Accordingly, the unaudited condensed consolidated financial statements of the Company are prepared as if the Acquisition had been completed at the beginning of accounting periods as presented in these unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial statements have been prepared to present the assets and liabilities of the subsidiary acquired pursuant to the Acquisition using the existing book values from the controlling shareholders' perspective. The comparative amounts have been restated accordingly as if the financial statements of Victory Insurance had always been consolidated in the Group.

Basis of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Group for the nine months ended 30 September 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognised (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognised (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 have not been reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.

3. SIGNIFICANT ACCOUNTING POLICIES

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and method of computation used in preparing the unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2018. These unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2018.

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 9 HKFRS 16	<i>Prepayment Features with Negative Compensation Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015–2017 Cycle	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i>

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's unaudited condensed consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has elected to use the modified retrospective approach and the practical expedient on short-term and low-value assets leases for the adoption of HKFRS 16 and recognised the cumulative effect of the initial application by initially recognising the opening balances of the right-of-use assets and lease liabilities at 1 January 2019 with no restatement of the comparative information. The initial application has affected lease contracts that previously classified as operating leases.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The lease liabilities were presented separately in the unaudited condensed consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the assets was assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the unaudited condensed consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Accordingly, the Group recognised right-of-use assets of HK\$529,715 and lease liabilities of HK\$545,933 as at 1 January 2019. Accrued rental expenses of HK\$16,218 were derecognised, resulting in a decrease in other payables and accruals of HK\$16,218 as at 1 January 2019.

The reconciliation of lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK\$ (Unaudited)
<hr/>	
Operating lease commitments as at 31 December 2018	
Weighted average incremental borrowing rate as at 1 January 2019	4.73%
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Discounted operating lease commitments as at 1 January 2019	545,933
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Lease liabilities as at 1 January 2019	545,933

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the unaudited condensed consolidated statement of financial position and statement of profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank borrowings'), and the movement during the period are as follow:

	Right-of-use assets	Lease liabilities
	HK\$	HK\$
As at 1 January 2019	529,715	545,933
Depreciation charge	(341,226)	—
Interest expense	—	12,503
Payments	—	(360,000)
As at 30 September 2019	188,489	198,436

4. REVENUE

An analysis of revenue is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
<i>Revenue from contracts with customers</i>	8,446,978	12,592,017	33,493,357	43,157,086
<i>Revenue from other sources</i>				
Interest income calculated using the effective interest method from:				
— clients	3,788,359	2,628,563	10,407,900	7,068,124
— authorised institutions	7,215	44,590	182,783	44,788
— others	49,965	10,441	147,146	15,178
	12,292,517	15,275,611	44,231,186	50,285,176

All interest income disclosed in the above came from financial assets not at fair value through profit or loss.

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$ (unaudited)	2018 HK\$ (restated)	2019 HK\$ (unaudited)	2018 HK\$ (restated)
Commission and brokerage income	6,992,205	8,448,723	26,007,470	29,317,865
Placing and underwriting commission income	8,680	2,218,348	1,411,850	6,542,353
Income from advising on securities	—	—	939,970	—
Handling fee income	679,373	1,180,712	2,774,256	5,152,808
Asset management fee	156,363	10,000	482,500	287,500
Financial advisory fee	101,400	—	101,400	—
Insurance consultancy fee	508,957	734,234	1,775,911	1,856,560
	8,446,978	12,592,017	33,493,357	43,157,086

5. OTHER INCOME AND GAINS/(LOSSES), NET

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited) (restated)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited) (restated)
Other income				
Gross rental income	—	75,000	100,000	225,000
Sundry income	121,218	160,946	154,218	181,154
	121,218	235,946	254,218	406,154
Trading gains/(losses), net				
Fair value losses on financial assets at fair value through profit or loss	(1,755,866)	(519,949)	(630,780)	(380,832)
Dividend income from financial assets at fair value through profit or loss	137,614	162,028	494,514	276,205
	(1,618,252)	(357,921)	(136,266)	(104,627)
Other gains/(losses), net				
Fair value gains on investment property	—	—	100,000	880,000
Loss on disposal of items of property, plant and equipment	—	—	—	(15,331)
	—	—	100,000	864,669
	(1,497,034)	(121,975)	217,952	1,166,196

6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
Interest on bank loans and overdrafts	816,206	513,258	2,143,258	1,421,755
Interest on client payables with no fixed repayment terms	60,656	10,184	171,901	42,594
Lease finance costs	2,798	—	12,503	—
Total interest expense on financial liabilities not at fair value through profit or loss	879,660	523,442	2,327,662	1,464,349

7. (LOSS)/PROFIT BEFORE TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited) (restated)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited) (restated)
The Group's (loss)/profit before tax is arrived at after charging/(crediting):				
Auditor's remuneration	—	—	200,000	160,000
Amortisation	98,334	—	270,002	66,667
Depreciation				
— Property, plant and equipment	609,436	559,242	1,837,613	1,601,413
— Right-of-use assets	113,740	—	341,226	—
Direct operating expenses arising from rental-earning investment property	—	359	3,251	3,777
Exchange and clearing fee	505,894	880,919	2,340,304	4,339,754
Foreign exchange loss, net	70,609	600,631	170,541	908,642
Information services expenses	819,290	701,873	2,829,378	2,033,932
Rental payments in respect of short-term lease	35,800	—	70,600	—
Operating lease payments in respect of office premises	34,630	168,702	138,520	506,106
Provision/(reversal of provision) for loss on guaranteed contracts with customers	—	751,630	(25,856)	933,987
Listing expenses	—	4,465,329	—	6,679,213
Impairment charge on accounts receivable, net	72,200	—	115,231	106,681

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the periods.

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
Current tax:				
Hong Kong profits tax	72,057	412,929	907,141	2,029,802
Deferred tax	9,011	—	31,867	123,173
Total tax charge for the period	81,068	412,929	939,008	2,152,975

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted (loss)/earnings per share attributable to ordinary equity holders of the parent is based on the following data:

For the three months ended 30 September		For the nine months ended 30 September	
2019	2018	2019	2018
HK\$	HK\$	HK\$	HK\$
(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(restated)		(restated)

(Loss)/earnings

(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share				
— (loss)/profit for the period attributable to ordinary equity holders of the parent	(1,230,001)	(2,510,013)	6,898,718	5,625,947

Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	200,000,000	191,847,826	200,000,000	164,102,564
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The Group has no potential dilutive ordinary shares in issue during the nine months ended 30 September 2019 and 2018.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the nine months ended 30 September 2018 has been determined on the assumption that the reorganisation and the capitalisation issue had been effective on 1 January 2017.

10. DIVIDEND

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2019	2018	2019	2018
		HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)
Special dividend declared and paid	a	—	—	—	8,000,000
Final dividend declared and paid	b	—	—	3,000,000	—
Interim dividend declared and paid	c	2,400,000	2,000,000	2,400,000	2,000,000

- (a) The special dividend in 2018 was declared and paid to the immediate holding company, Victory Securities Holding Limited.
- (b) The final dividend for the year ended 31 December 2018 was approved in the annual general meeting of the Company held on 14 May 2019 and paid on 13 June 2019.
- (c) At a meeting held on 7 August 2019, the Board declared an interim dividend of HK1.20 cents (2018: HK1.00 cent) per share for the six months ended 30 June 2019, which was paid on 13 September 2019.

11. BUSINESS COMBINATIONS UNDER COMMON CONTROL

As detailed in note 2 to the unaudited condensed consolidated financial statements, the Acquisition was regarded as a business combination under common control and accounted for using the merger basis. The unaudited condensed consolidated financial statements are prepared as if the Acquisition had been completed at the beginning of accounting periods as presented in these unaudited condensed consolidated financial statements. Victory Insurance was principally engaged in provision of insurance consultancy services.

The statements of the adjustment to the consolidated equity as at 30 September 2019 and 31 December 2018 are as follow:

	As at 30 September 2019			
	Before combination HK\$	Entity under common control HK\$	Adjustment HK\$	After combination HK\$
Share capital	1,999,998	1,000,000	(1,000,000)	1,999,998
Merger reserve	100,000,000	—	(3,800,000)	96,200,000
Retained earnings and other reserves	103,412,450	1,362,255	—	104,774,705
	205,412,448	2,362,255	(4,800,000)	202,974,703

	As at 31 December 2018			
	Before combination HK\$	Entity under common control HK\$	Adjustment HK\$	After combination HK\$
Share capital	1,999,998	1,000,000	(1,000,000)	1,999,998
Merger reserve	100,000,000	—	1,000,000	101,000,000
Retained earnings and other reserves	102,038,464	1,172,452	—	103,210,916
	204,038,462	2,172,452	—	206,210,914

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a well-established integrated financial services provider in Hong Kong providing a wide range of securities broking and related financial services to our clients including (i) securities broking, placing and underwriting services and advising on securities services; (ii) financing services; (iii) asset management services; (iv) financial advisory services; and (v) insurance consultancy services. After the initial public offering (“**IPO**”), the Group has indeed experienced more market exposure. The clients base has been further diversified by having more institutional clients on board. By leveraging on the newly raised funds from the IPO, the Group has provided margin financing at a larger scale. Therefore, financing services better cater to clients’ growing financing demand and ultimately generate more revenue for the business sector. The Group also plans to expand the asset management business by setting up privately offered funds for professional investors.

As a local securities firm rooted in Hong Kong for almost five decades, we have been benefited from the growth of the Hong Kong market, and we have been blessed with the huge market behind us, i.e. high net worth clients and corporate clients in both Hong Kong and Mainland China.

Our goal is to expand the asset management and wealth management businesses, together with the new business of financial advisory/corporate financing. The Group will continue to maximize productivity on Type 1 regulated activities vertically by excelling placing and underwriting and wealth management businesses. The Group also aims to hire competent talents to facilitate the development of asset management services and financial advisory/corporate financing services.

Securities broking, placing and underwriting services and advising on securities services

Brokerage services

Income from securities broking services is primarily derived from the provision of brokerage services to customers who trade securities listed on the Stock Exchange and eligible securities traded through the securities trading and clearing linked program developed by the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation, as well as enabling customers to trade securities listed on exchanges in Australia, Canada, Europe, Japan, Singapore, the United Kingdom, the United States of America (the “**US**”) and B shares in the People’s Republic of China (the “**PRC**”). Despite the intensified competition from new players, the Group managed to retain customer loyalty through delivering service excellence.

Revenue generated from securities broking services accounted for approximately 58.9% and 58.3% of the total revenue for the nine months ended 30 September 2019 and 2018, respectively.

Placing and underwriting services

The Group also provides placing and underwriting services for equity or debt securities issued by listed companies in Hong Kong. The Group is generally engaged by listed issuers as a placing agent or an underwriter. The commission rates are subject to negotiation on a case-by-case basis with the listed issuers and are generally determined with reference to, among other matters, the type of equity or debt securities offered, fund raising size, market condition and prevailing market rate. Depending on the terms of a particular placing or underwriting document, the placing or underwriting activities can either be on a fully underwritten basis or a best effort basis.

Revenue generated from placing and underwriting services accounted for approximately 3.2% and 13.0% of the total revenue for the nine months ended 30 September 2019 and 2018, respectively. The Group believes that with the reputation and clients relationship built up since the Group was listed on the GEM of the Stock Exchange, the Group will be able to turn placing and underwriting business into one of the major income streams in the near future.

Advising on securities services

The Group also provides advising on investment activities, which involve giving research reports or analysis on securities, and investment proposals to target audiences. Revenue generated from advising on securities services accounted for approximately 2.1% and nil of the total revenue for the nine months ended 30 September 2019 and 2018, respectively.

Others

The Group also derives (i) handling fee income arising from the services such as scrip handling services, settlement services, account servicing, corporate-action-related services and certain other miscellaneous services; and (ii) interest income from our deposits, which accounted for approximately 7.0% and 10.3% of the total revenue for the nine months ended 30 September 2019 and 2018, respectively.

Financing services

The Group continued to solidify its customer base by enhancing marketing capabilities and optimising loan service processes. Generally, the Group provides margin financing and short-term IPO financing for customers to facilitate them to purchase securities in the secondary market and apply for new shares in connection with IPOs. In return, the Group derives interest income. The Group also generates interest income from cash account customers on their overdue debit balance. For the nine months ended 30 September 2019 and 2018, approximately 23.5% and 14.1% of the total revenue was derived from financing services, respectively.

Such increase in the proportion to total revenue is partially due to an increasing demand from investors leveraging their investments return by financing, and also attributable to the stronger financial capability after fund raising in the IPO in the year 2018 that better fulfils the investors' financing demand. The Group aims to develop a niche in the loan market, providing corporate and retail customers with tailored liquidity solutions to meet their needs. The Group believes that such increase in revenue from margin financing will sustain, especially when the Group has changed the use in proceeds raised from the IPO and further invested approximately HK\$6.0 million into the margin financing business. The Group expects the revenue from this segment will further expand and enable the Group to maintain a healthier revenue structure. On the other hand, the Group will review the limits and controls on margin loans to ensure the Group can monitor and control the potential risks associated with the expansion of this business sector.

Asset management services

The Group offers asset management services on a discretionary basis to high net worth customers who would like the Group to manage their portfolios on their behalf. The Group manages discretionary accounts and derives management fees and/or performance fees from the asset management services, which accounted for approximately 1.1% and 0.6% of the total revenue for the nine months ended 30 September 2019 and 2018, respectively.

The Group is planning to expand asset management services by setting up private funds in the near future, with the application of the fund raised from IPO in the year 2018 in enhancing the research capabilities and asset management service, the revenue for this segment is expected to respond positively.

Financial advisory services

The Group has successfully obtained a license for advising on corporate finance (Type 6) from the Securities and Futures Commission in August 2019, under the condition that (i) it shall not hold client assets; (ii) shall only provide services to professional investors as defined in the SFO; (iii) shall not act as sponsor in respect of an application for the listing on a recognised stock market of any securities; and (iv) shall not advise on matters/transactions falling within the ambit of the Codes on Takeovers and Mergers and Share Buy-Backs issued by the Securities and Futures Commission. Advisory fees will be charged based on the type and size of the transactions, duration of the engagement, complexity of the transaction and the expected manpower requirements.

The Group aims to focus on services such as advice on mergers and acquisitions transactions and independent financial advisory services to listed companies. Revenue generated from financial advisory services accounted for approximately 0.2% for the nine months ended 30 September 2019.

Insurance consultancy services

The Group has successfully acquired Victory Insurance Consultants Limited ("**Victory Insurance**"), an insurance consultancy services provider during August 2019. The acquisition aims to better cater the needs from the high net worth PRC individuals, who have tremendous demand in wealth management services in order to 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 experienced and professional staff from Victory Insurance will be able 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.

For the nine months ended 30 September 2019 and 2018, approximately 4.0% and 3.7% of the total revenue was derived from insurance consultancy services.

FINANCIAL REVIEW

Revenue

The revenue of the Group's core business sectors for the nine months ended 30 September 2019 and 2018 are summarized as below:

	For the nine months ended 30 September 2019 (HK\$'000)	For the nine months ended 30 September 2018 (HK\$'000)	Differences (HK\$'000)	Change (%)
Securities broking, placing and underwriting services and advising on securities services	31,463	41,072	(9,609)	(23.4)
Financing services	10,408	7,068	3,340	47.3
Asset management services	483	288	195	67.7
Financial advisory services	101	—	101	N/A
Insurance consultancy services	1,776	1,857	(81)	(4.4)
Total	44,231	50,285	(6,054)	12.0

(1) Securities broking, placing and underwriting services and advising on securities services

Securities services comprise mainly brokerage services, placing and underwriting services and advising on securities services. The table below sets out a breakdown of the revenue from securities services during the nine months ended 30 September 2019 and 2018:

	For the nine months ended 30 September 2019 (HK\$'000)	For the nine months ended 30 September 2018 (HK\$'000)	Differences (HK\$'000)	Change (%)
Brokerage services	26,007	29,318	(3,311)	(11.3)
Placing and underwriting services	1,412	6,542	(5,130)	(78.4)
Advising on securities services	940	—	940	N/A
Others	3,104	5,212	(2,108)	(40.4)
Total	31,463	41,072	(9,609)	(23.4)

(a) Brokerage services

For the nine months ended 30 September 2019, the Group recorded a revenue of approximately HK\$26.01 million from the brokerage services, representing a decrease of approximately 11.3% as compared to the revenue of approximately HK\$29.32 million for the nine months ended 30 September 2018. This was mainly due to decrease in brokerage income derived from the Hong Kong stock market due to decrease in market turnover from HK\$21,110.99 billion for the nine months ended 30 September 2018 to HK\$16,658.90 billion for the nine months ended 30 September 2019.

(b) Placing and underwriting services

For the nine months ended 30 September 2019, the Group recorded revenue of approximately HK\$1.41 million from the placing and underwriting services, representing a decrease of approximately 78.4% as compared to the revenue of approximately HK\$6.54 million for the nine months ended 30 September 2018. This was mainly due to the decrease in placing and underwriting volume in the first and third quarter of 2019. Placing and underwriting activities are on engagement basis, a few good business opportunities were spotted in placing business in the second quarter of the year and thus revenue from the placing services arise at the second quarter of 2019. However, due to the instability brought from the recent social and political incidents, many investors are adopting a wait-and-see attitude and thus adversely affected the revenue from the placing and underwriting services.

(c) Advising on securities services

For the nine months ended 30 September 2019, the Group recorded a revenue of approximately HK\$0.94 million from the advising on securities services, which was derived from giving research reports and analysis and represents a new income stream for the Group.

(d) Others

Others comprises (i) handling fee income arising from the services such as scrip handling services, settlement services, account servicing, corporate-action-related services, certain other miscellaneous services and (ii) interest income from our deposits. The decrease of revenue from such other services during the nine months ended 30 September 2019 was mainly due to decrease in securities trading volume of customers.

(2) *Financing services*

For the nine months ended 30 September 2019, the Group recorded interest income of approximately HK\$10.41 million from financing services, representing an increase of approximately 47.3% as compared to the revenue of approximately HK\$7.07 million for the nine months ended 30 September 2018. This was mainly due to the increase in the overall loan book extended to both margin and non-margin clients. This represented a keen demand for financing from customers because of the market sentiment and when the Group has a stronger financing capacity.

(3) *Asset management services*

For the nine months ended 30 September 2019, the Group recorded revenue of approximately HK\$0.48 million from asset management services (for the nine months ended 30 September 2018: HK\$0.29 million). The increase was mainly due to increase in revenue from new customers when compared to the nine months ended 30 September 2018.

(4) *Financial advisory services*

For the nine months ended 30 September 2019, the Group recorded revenue of approximately HK\$0.10 million from the financial advisory services, in which the business commences since the approval of the respective license in August 2019.

(5) *Insurance consultancy services*

For the nine months ended 30 September 2019, the Group recorded revenue of approximately HK\$1.78 million from insurance consultancy services (for the nine months ended 30 September 2018: HK\$1.86 million). Approximately 95% of the revenue is generated from long-term insurance plans and amount decrease mainly due to decrease in premium size per client.

Other income and gains/(losses), net

Other income and gains/(losses), net for the nine months ended 30 September 2019 was approximately HK\$0.22 million, representing a decrease of approximately 81.2% (for the nine months ended 30 September 2018: HK\$1.17 million). Such decrease was mainly due to increase in fair value loss on financial assets at fair value through profit or loss of approximately HK\$0.25 million, as well as decrease in revaluation gains on investment property of HK\$0.78 million.

Commission expenses

The following is the breakdown on commission expenses:

	For the nine months ended 30 September 2019 (HK\$'000)	For the nine months ended 30 September 2018 (HK\$'000)	Differences (HK\$'000)	Change (%)
Commission for brokerage services	6,119	7,568	(1,449)	(19.1)
Commission for insurance consultancy services	974	924	50	5.4
Total	7,093	8,492	(1,399)	(16.5)

Commission expenses for the nine months ended 30 September 2019 was approximately HK\$7.09 million (for the nine months ended 30 September 2018: HK\$8.49 million), representing a decrease of approximately 16.5% when compared to the nine months ended 30 September 2018, which was mainly due to the decrease in income from brokerage and placing and underwriting services of approximately HK\$8.44 million.

Other operating expenses

Other operating expenses for the nine months ended 30 September 2019 was approximately HK\$11.68 million (for the nine months ended 30 September 2018: HK\$21.41 million), representing a decrease of approximately 45.4% when compared to the nine months ended 30 September 2018, mainly due to (i) decrease in listing expenses of approximately HK\$6.68 million; (ii) decrease in exchange and clearing fee incurred for securities transactions of approximately HK\$2.0 million; and (iii) decrease in provision for loss on guaranteed contracts of approximately HK\$0.96 million.

Profit for the period attributable to owners of the parent

For the nine months ended 30 September 2019, profit for the period attributable to owners of the parent was approximately HK\$6.90 million (for the nine months ended 30 September 2018: HK\$5.63 million). If we excluded the listing expenses of approximately HK\$6.68 million, profit for the nine months ended 30 September 2019 decreased by approximately 43.9% as compared to the nine months ended 30 September 2018, which was mainly due to decrease in revenue and increase in staff costs for expansion of businesses.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this report, there was no significant events relevant to the business or financial performance of the Group that come to the attention of the Directors after the reporting period.

DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2019 and 2018.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND SIGNIFICANT INVESTMENTS

Save as disclosed in the announcement of the Company dated 15 August 2019 and 20 August 2019 and note 11 of the unaudited condensed consolidated financial statements, there was no other material acquisition or disposal of subsidiaries and affiliated companies and significant investments held by the Group during the nine months ended 30 September 2019.

BUSINESS RISKS, OUTLOOK AND PROSPECTS

The economy of Hong Kong and Mainland China is anticipated to be challenging in the year 2019. The competitive and volatile environment in the securities industry in Hong Kong will continue to exert pressure on operations. Volatility in the performance of the financial markets could affect the business. Moreover, the Group's financing services could be affected by (i) the decline in market value or suspension of the collateral; (ii) the change in lending ratio for the collateral; (iii) the increase in collateral concentration; and (iv) client's default in repayment.

Despite these risks and uncertainties, the Group will continue to pursue long-term business and profitability growth in line with its corporate mission and goals as stated in the prospectus of the Company dated 30 June 2018 (the "**Prospectus**"). The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

Since the Group was listed on GEM of the Stock Exchange, the Group is able to expand its customer base and service channels due to increased reputation and delivery of excellence services, this enables the Group to maintain client relationship and to capture more business opportunities. The Group will launch marketing promotions at reasonable costs to its target audiences in the near future, and optimise the utilisation of system resources to further enhance service quality and efficiency.

The Group also aims to diversify its income streams by acquisition and opening up new business line as follows:

- (1) wealth management — the acquisition of Victory Insurance was completed during August 2019. Upon the completion of the acquisition, the Group will be able to achieve synergy effect as Victory Insurance has experienced and professional staff who are ready to render personalized services, in which the Group can provide more diversified products to its target clients immediately so as to capture the business opportunities from these clients. While with the support of the Group, Victory Insurance will be able to broaden its client base and to launch more new products according to clients' needs due to more financial resources, which in turns will benefit the Group as a whole.
- (2) financial advisory business (type 6 - advising on corporate finance license)-the respective license was granted by the Securities and Futures Commission in August 2019, in which the Group has hired experienced personnel in the industry and aims to provide value-added and professional services to corporate customers, including listed companies in Hong Kong.

The Group will also play a more active role in participating in other financial actions/ transactions which took place in the market in order to further develop and strengthen its market position as an integrated financial services provider. Meanwhile, as we indicated in the Prospectus, we will allocate more resources to the asset management segment to achieve a vertical development.

The Group will continue to review and evaluate the business objectives and strategies and make timely execution by taking into account the business risks and market uncertainties.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, 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 the 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 Kuen ⁽¹⁾	Interested in a controlled corporation	150,000,000	75%
Mr. Chan Ying Kit ^{(1) and (2)}	Interest of spouse	150,000,000	75%

Notes:

- (1) Dr. TT Kou's Family Company Limited ("DTTKF") is the registered owner of 150,000,000 shares, representing 75% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Mr. Chan Pui Chuen, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan, Mr. Ko Yuen Fai and Mr. Ko Yuen Sing in the proportion of approximately 73.40%, 13.65%, 6.61%, 2.59%, 2.50% and 1.25%, respectively. Accordingly, Ms. Kou Kuen 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 Kuen. Under the SFO, Mr. Chan Ying Kit is deemed to be interested in the same number of shares in which Ms. Kou Kuen 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 Company
Ms. Kou Kuen	DITKF	Beneficial owner	111,031,667	73.40%
Mr. Chan Pui Chuen	DITKF	Beneficial owner	20,640,000	13.65%
Mr. Chan Ying Kit	DITKF	Beneficial owner	10,000,000	6.61%

Save as disclosed above, as at 30 September 2019, 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, 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 Shareholders	Capacity/Nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
DTTKF ⁽¹⁾	Beneficial owner	150,000,000	75%

Note:

- (1) DTTKF is the registered owner of 150,000,000 shares, representing 75% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Mr. Chan Pui Chuen, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan, Mr. Ko Yuen Fai and Mr. Ko Yuen Sing in the proportion of approximately 73.40%, 13.65%, 6.61%, 2.59%, 2.50% and 1.25%, respectively. Accordingly, Ms. Kou Kuen is deemed to be interested in all shares held by DTTKF under the SFO.

Save as disclosed above, as at 30 September 2019, the Company has not been notified by any persons, other than the Directors and the chief executive of the Company 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.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 14 June 2018. The details of the Share Option Scheme and the movements of the share options under the Share Option Scheme during the nine months ended 30 September 2019 are set out as follows:

Category of participants	Date of grant	Exercise and vesting period	Exercise price per share (HK\$)	Number of share options					Outstanding as at 30 September 2019
				Outstanding as at 1 January 2019	Granted during the period	Lapsed or forfeited during the period	Exercised during the period	Cancelled during the period	
Employees	18 January 2019	18 January 2020 to 17 May 2020	1.25	—	1,737,000	—	—	—	1,737,000
Total				—	1,737,000	—	—	—	1,737,000

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the nine months ended 30 September 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the nine months ended 30 September 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the “**Required Standard of Dealings**”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities transactions of the Company by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealings throughout the nine months ended 30 September 2019.

COMPETING INTERESTS

None of the Directors or the controlling shareholders of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in business which competes or is likely to compete, either directly or indirectly, with business of the Group during the nine months ended 30 September 2019.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining and achieving a high standard of corporate governance practices within the Group and complying with regulatory requirements, to securing and inspiring confidence of shareholders of the Company as well as potential investors and enhance the business growth of the Group.

The Company's corporate governance practices follow the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 15 of the GEM Listing Rules. For the nine months ended 30 September 2019, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

COMPLIANCE ADVISER'S INTERESTS

Save and except for the compliance adviser's agreement entered into between the Company and Pulsar Capital Limited (the "**Compliance Adviser**") dated 12 October 2017, 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 30 September 2019 and up to the date of this report, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

An Audit Committee of the Board was established on 14 June 2018, and its written terms of reference was adopted in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee, with the majority of its members being independent non-executive Directors, consists of two independent non-executive Directors and one non-executive Director, namely, Mr. Ying Wing Ho Peter (chairman of the Committee), Dr. Yan Ka Shing and Mr. Chan Ying Kit with written terms of reference in accordance with code provision C.3.3 and C.3.7 of the CG Code.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable requirements, and that adequate disclosures have been made.

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

Hong Kong, 7 November 2019

As at the date of this report, 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.