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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Victory Securities (Holdings) Company Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the three months ended 31 March 2020. This announcement, containing the full text of the 2020 first quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of quarterly results. Printed version of the Company’s 2020 first quarterly report will be delivered to the shareholders of the Company in due course.

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

Hong Kong, 7 May 2020

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. Ying Wing Ho Peter, 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).

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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*This report, for which the directors (the “**Directors**”) of Victory Securities (Holdings) Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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, (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and (ii) there are no other matters the omission of which would make any statement herein or this report misleading.*

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FINANCIAL HIGHLIGHTS

For the three months ended				
31 March				
	2020	2019	Differences	Change
	HK\$	HK\$	HK\$	(%)
	(unaudited)	(unaudited)		
		(restated)		
Revenue	17,278,907	15,259,927	2,018,980	13.2
Other operating expenses	3,090,086	4,334,591	(1,244,505)	(28.7)
Profit for the period	3,262,766	4,959,678	(1,696,912)	(34.2)
Basic and diluted earnings per share (in HK cents)	1.63	2.48		

Revenue for the three months ended 31 March 2020 was approximately HK\$17.28 million, representing an increase of approximately 13.2% as compared to the revenue of approximately HK\$15.26 million for the three months ended 31 March 2019 (restated), reflecting the increase in revenue from placing and underwriting services, financing services, and also from the new business line of financial advisory services. The new business has compensated the slight decrease in revenue from the securities and brokerage business.

Profit for the three months ended 31 March 2020 was approximately HK\$3.26 million, representing a decrease of approximately 34.2% as compared to the profit of approximately HK\$4.96 million for the three months ended 31 March 2019 (restated) mainly due to:

- (i) fair value loss on financial assets of approximately HK\$0.70 million was recorded for the period ended 31 March 2020, when compared to a fair value gain on financial assets of approximately HK\$2.14 million for the period ended 31 March 2019; and
- (ii) fair value loss on investment property of HK\$0.30 million was recorded for the period ended 31 March 2020, when compared to a fair value gain on investment property of HK\$0.10 million for the period ended 31 March 2019.

However, if the impact on the fair value loss/(gain) on financial assets and investment property were excluded, the net profit for the period ended 31 March 2020 would increase when compared to the period ended 31 March 2019, mainly due to the increase in revenue for the period ended 31 March 2020. Detailed analysis is shown as follows:

	For the three months ended	
	31 March	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited)
		(restated)
Net profit for the period	3,262,766	4,959,678
Adjusted by:		
Fair value loss/(gain) on financial assets at fair value		
through profit or loss	702,275	(2,139,600)
Fair value loss/(gain) on investment property	300,000	(100,000)
Net profit for the period after excluding fair value changes	4,265,041	2,720,078

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2020 (for the three months ended 31 March 2019: Nil).

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 three months ended 31 March 2020 together with the restated comparative figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2020

		For the three months ended 31 March	
	Notes	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)
REVENUE	4	17,278,907	15,259,927
Other income and gains/(losses), net	5	(918,726)	2,466,636
		16,360,181	17,726,563
Commission expenses		(3,195,802)	(2,367,873)
Depreciation		(688,029)	(728,716)
Staff costs		(4,866,583)	(4,009,685)
Other operating expenses		(3,090,086)	(4,334,591)
Release for allowance for expected credit losses on accounts receivable, net		73,283	14,158
Share-based payment expenses		(10,460)	(62,133)
Finance costs	6	(889,327)	(575,769)
PROFIT BEFORE TAX	7	3,693,177	5,661,954
Income tax expense	8	(430,411)	(702,276)
PROFIT FOR THE PERIOD		3,262,766	4,959,678
Attributable to:			
Owners of the parent		3,262,766	4,959,678
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (in HK cents)	9	1.63	2.48

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	For the three months ended 31 March	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited) (restated)
PROFIT FOR THE PERIOD	3,262,766	4,959,678
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
(Loss)/gain on revaluation of land and buildings held for own use:		
– gross (loss)/gain	(813,184)	539,913
– income tax effect	134,175	(89,086)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(679,009)	450,827
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,583,757	5,410,505
Attributable to:		
Owners of the parent	2,583,757	5,410,505

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Attributable to owners of the parent						
	Share capital	Share premium	Property revaluation reserve	Share option reserve	Merger reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
For the three months ended 31 March 2020							
At 1 January 2020 (audited)	1,999,998	54,980,741	36,304,518	225,433	96,200,000	15,665,689	205,376,379
Profit for the period	–	–	–	–	–	3,262,766	3,262,766
Other comprehensive loss for the period:							
Change in fair value of land and buildings, net of tax	–	–	(679,009)	–	–	–	(679,009)
Total comprehensive (loss)/income for the period	–	–	(679,009)	–	–	3,262,766	2,583,757
Issue of shares under share option scheme	20	2,480	–	–	–	–	2,500
Equity-settled share option arrangements	–	–	–	10,460	–	–	10,460
At 31 March 2020 (unaudited)	2,000,018	54,983,221*	35,625,509*	235,893*	96,200,000*	18,928,455*	207,973,096
For the three months ended 31 March 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 (restated)	–	–	–	–	–	4,959,678	4,959,678
Other comprehensive income for the period:							
Change in fair value of land and buildings, net of tax	–	–	450,827	–	–	–	450,827
Total comprehensive income for the period	–	–	450,827	–	–	4,959,678	5,410,505
Equity-settled share option arrangements	–	–	–	62,133	–	–	62,133
At 31 March 2019 (unaudited) (restated)	1,999,998	54,980,741*	37,029,969*	62,133*	101,000,000*	16,610,711*	211,683,552

* These reserve accounts comprise the consolidated other reserves of HK\$205,973,078 as at 31 March 2020 (2019: HK\$209,683,554 (restated)) in the unaudited condensed consolidated statement of financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the period, the Company's subsidiaries were principally engaged in the businesses of securities/futures 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 (the “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 a 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 holding company and the ultimate holding company of the Group is Dr. TT Kou's Family Company Limited, which is 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/futures 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
Victory Premier SPC**	Cayman Islands	US\$50,000	–	100%	Inactive
Victory VC Asset Management Company Limited	Hong Kong	HK\$1,000,000	–	100%	Inactive
VS Capital Limited	Hong Kong	HK\$2,500,000	–	100%	Provision of financial advisory services
廣州市勝利私募證券投資基金管理有限公司***	Guangzhou, People's Republic of China	RMB2,500,000	–	100%	Inactive

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

** GFVS Industry Investment Fund SPC was incorporated on 8 July 2019, and changed the name to Victory Premier SPC on 19 December 2019.

*** 廣州市勝利私募證券投資基金管理有限公司 was incorporated on 4 December 2019.


2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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 2019. They 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. These unaudited condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest dollar except when otherwise indicated.

Acquisition of an entity under common control

Pursuant to the agreement for the sale and purchase of shares of Victory Insurance Consultants Limited (“**Victory Insurance**”) dated 15 August 2019 entered into by 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 method in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The unaudited condensed consolidated financial statements were 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 the 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 unaudited condensed consolidated 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 three months ended 31 March 2020. 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 derecognises (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 recognises (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 recognised 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 results of the Group for the three months ended 31 March 2020 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 three months ended 31 March 2020 are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2019. These unaudited condensed consolidated financial statements for the three months ended 31 March 2020 should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2019.

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 2020 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The new and amendments to HKFRSs are not applicable to the preparation of the Group's unaudited condensed consolidated financial statements and has no material effect on the amounts reported and/or disclosures set out in the unaudited condensed consolidated financial statements.

4. REVENUE

An analysis of revenue is as follows:

	For the three months ended	
	31 March	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited) (restated)
<hr/>		
<i>Revenue from contracts with customers</i>	13,650,095	11,907,010
<i>Revenue from other sources</i>		
Interest income calculated using the effective interest method from:		
– clients	3,605,248	3,256,376
– authorised institutions	170	48,119
– others	23,394	48,422
	<hr/>	
	17,278,907	15,259,927
	<hr/>	

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	
	31 March	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited) (restated)
Commission and brokerage income	9,379,678	9,693,119
Placing and underwriting commission income	1,689,668	–
Income from advising on securities	78,333	260,000
Handling fee income	1,026,152	1,127,904
Asset management fee	446,481	157,500
Financial advisory fee	604,200	–
Insurance consultancy fee	425,583	668,487
Total revenue from contracts with customers	13,650,095	11,907,010

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

	For the three months ended	
	31 March	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited) (restated)
Other income		
Gross rental income	78,000	75,000
Sundry income	5,549	28,500
	83,549	103,500
Trading (losses)/gains, net		
Fair value (loss)/gain on financial assets		
at fair value through profit or loss	(702,275)	2,139,600
Interest income from financial assets at		
fair value through profit or loss	—	123,536
	(702,275)	2,263,136
Other (loss)/gain, net		
Fair value (loss)/gain on investment property	(300,000)	100,000
	(300,000)	100,000
	(918,726)	2,466,636

6. FINANCE COSTS

	For the three months ended	
	31 March	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited)
Interest on bank loans and overdrafts	875,326	535,911
Interest on client payables with no fixed repayment terms	11,360	34,326
Interest on lease liabilities	2,641	5,532
Total interest expense on financial liabilities not at fair value through profit or loss	889,327	575,769

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the three months ended	
	31 March	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited)
		(restated)
Amortisation	101,922	83,334
Depreciation of property, plant and equipment	574,537	614,974
Depreciation of right-of-use assets	113,492	113,742
Direct operating expenses arising from rental-earning investment property	1,504	359
Exchange and clearing fee	233,631	1,071,993
Share-based payment expense	10,460	62,133
Foreign exchange loss/(gain), net	130,220	(14,025)
Release for allowance for expected credit losses on accounts receivable, net	(73,283)	(14,158)
Information services expenses	494,075	1,005,531
Lease payments not included in the measurement of lease liabilities	114,001	–
Minimum lease payments under operating leases	–	86,195
Reversal of provision for loss on guaranteed contracts with customers	–	(25,856)

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	For the three months ended	
	31 March	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited)
		(restated)
Current tax:		
Hong Kong profits tax	374,339	661,678
Deferred tax	56,072	40,598
Total tax charge for the period	430,411	702,276

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$3,262,766 (2019: HK\$4,959,678 (restated)) and the weighted average number of ordinary shares in issue of 200,000,440 (2019: 200,000,000) during the period.

(b) Diluted earnings per share

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share for the period is as follows:

	For the three months ended 31 March	
	2020	2019
	(unaudited)	(unaudited) (restated)
Profit attributable to equity holders of the Company (HK\$)	3,262,766	4,959,678
Weighted average number of ordinary shares in issue	200,000,440	200,000,000
Effect of dilution – weighted average number of ordinary shares in issue:		
Share options	5,617	(80,681)
	200,006,057	199,919,319
Diluted earnings per share	1.63 HK cents	2.48 HK cents

10. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2020 (31 March 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is a well-established integrated financial services provider in Hong Kong for almost five decades, providing a wide range of securities broking and related financial services to our clients including (i) securities/futures 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. The core strength of the Group lies in its robust business model, with diverse businesses to withstand increasingly complex market conditions. The Group also plans to expand the asset management business by setting up privately offered funds for professional investors.

BUSINESS REVIEW, OUTLOOK AND PROSPECTS

The economy of Hong Kong, People's Republic of China ("**PRC**") and the other parts of the world were full of challenges since the commencement of the year 2020. The recent worldwide outbreak of Coronavirus Disease 2019 ("**COVID-19**") has reduced the motivation for an outbound investment of different investors, especially those from the PRC and resulted in unfavourable investment sentiment in the local and global financial markets and other sectors which exerted pressure on the Group's operations. Investors tend to be more prudence and this had an adverse impact on the revenue from the securities brokerage business due to the volatility of the Hong Kong financial market.

Despite the uncertainties regarding both regional and global economic outlook, the Group's diversification of income streams from the successful application of the Type 6 License and completion of the acquisition of the insurance consultancy business in the second half of the year 2019 further expanded the profit-making ability of the Group. This enables the Group to cope with the increased competitiveness and volatility of the securities industry. The Group has also completed several placing exercises during the three months ended 31 March 2020. The Group will continue to adopt sound and flexible marketing strategies to expand the customer base, launch attractive marketing promotions at reasonable costs, and optimise the utilisation of system resources to enhance service quality and efficiency of the operations.



The Group will continue to play a more active role in participating in other financial transactions which took place in the market in order to further develop and strengthen its market position as an integrated financial services provider. Moreover, the Group will allocate more resources to the asset management segment to achieve vertical development. The Group has planned to apply for new asset management licenses to expand the scale of the asset management segment. 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. The Group will also continue to explore opportunities, especially in the financial advisory services and asset management services.

Despite the competitive and volatile operating environment in the securities industry, the Group will continue to pursue long-term business and profitability growth in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

In general, Hong Kong's economic outlook in 2020 will be affected by certain global and domestic factors, including the impact of the outbreak of COVID-19. This brings short-term volatility and challenges to the global stock market due to adverse market and investment sentiment. However, the degree of impact of COVID-19 on the Group's financial performance depends on the effects of the prevention and control measures implemented to stop the spread of the virus, and also the duration of the outbreak. The Company will closely monitor the situation and assess its impacts on the financial position and operating results.

FINANCIAL REVIEW

Revenue

The revenue of the Group's core business sectors for the three months ended 31 March 2020 and 2019 are summarized as below:

	For the three months ended			
	31 March			
	2020	2019	Differences	Change
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(%)
	(unaudited)	(unaudited)		
		(restated)		
Securities/futures broking, placing and underwriting services and advising on securities services	12,198	11,177	1,021	9.1
Financing services	3,605	3,256	349	10.7
Asset management services	446	158	288	182.3
Financial advisory services	604	–	604	N/A
Insurance consultancy services	426	669	(243)	(36.3)
Total	17,279	15,260	2,019	13.2

(1) **Securities/futures broking and placing and underwriting 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 three months ended 31 March 2020 and 2019:

	For the three months ended			
	31 March			
	2020	2019	Differences	Change
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(%)
	(unaudited)	(unaudited)		
		(restated)		
Brokerage services	9,380	9,693	(313)	(3.2)
Placing and underwriting services	1,690	–	1,690	N/A
Advising on securities services	78	260	(182)	(70.0)
Others	1,050	1,224	(174)	(14.2)
Total	12,198	11,177	1,021	9.1

(a) **Brokerage services**

For the three months ended 31 March 2020, the Group recorded a revenue of approximately HK\$9.38 million from the brokerage services, representing a decrease of approximately 3.2% as compared to the revenue of approximately HK\$9.69 million for the three months ended 31 March 2019. This was mainly due to decrease in brokerage income derived from the Hong Kong stock market due to unfavourable investment sentiment in the local and global financial markets as a result of the worldwide outbreak of COVID-19.

(b) *Placing and underwriting services*

For the three months ended 31 March 2020, the Group recorded a revenue of approximately HK\$1.69 million from the placing and underwriting services, when compared to nil revenue for the three months ended 31 March 2019. This was mainly due to successful completion of several placing exercises for listed clients during the three months ended 31 March 2020 despite the unfavorable investment sentiment.

(c) *Advising on securities services*

For the three months ended 31 March 2020, the Group recorded a revenue of approximately HK\$0.08 million from the advising on securities services, representing a decrease of approximately 70.0% as compared to the revenue of approximately HK\$0.26 million for the three months ended 31 March 2019. Revenue from this sector was derived from giving research reports and analysis and amount decreased mainly due to decrease in engagement when compared to the three months ended 31 March 2019.

(d) *Others*

Other services mainly represented (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 the deposits. For the three months ended 31 March 2020, the Group recorded a revenue from other services of approximately HK\$1.05 million, representing a decrease of approximately 14.2% as compared to the revenue of approximately HK\$1.22 million for the three months ended 31 March 2019. The decrease of revenue from such other services was mainly due to decrease in securities trading volume of customers.

(2) *Financing services*

For the three months ended 31 March 2020, the Group recorded interest income of approximately HK\$3.61 million from financing services, representing an increase of approximately 10.7% as compared to the revenue of approximately HK\$3.26 million for the three months ended 31 March 2019. This was mainly due to the keen demand for financing from clients and the Group has been able to cater the demand from clients with a stronger financing capacity.

(3) *Asset management services*

For the three months ended 31 March 2020, the Group recorded revenue of approximately HK\$0.45 million from asset management services, representing an increase of approximately 182.3% as compared to the revenue of approximately HK\$0.16 million for the three months ended 31 March 2019. The increase was mainly due to increase in revenue from new customers when compared to the three months ended 31 March 2019.

(4) *Financial advisory services*

For the three months ended 31 March 2020, the Group recorded revenue of approximately HK\$0.60 million from the financial advisory services, in which the business commences since the approval of the Type 6 License in August 2019.

(5) *Insurance consultancy services*

For the three months ended 31 March 2020, the Group recorded revenue of approximately HK\$0.43 million from insurance consultancy services, representing a decrease of approximately 36.3% as compared to the revenue of approximately HK\$0.67 million for the three months ended 31 March 2019 (restated). Approximately 95% of the revenue is generated from long-term insurance plans and the decrease in revenue was mainly due to decrease in premium size per client.

Other income and gains/(losses), net

Other income and gains/(losses), net was approximately HK\$0.92 million (losses) for the three months ended 31 March 2020, representing a decrease of approximately 137.2% as compared to the amount of approximately HK\$2.47 million (gains) for the three months ended 31 March 2019 (restated). Such decrease was mainly due to the decrease in fair value gains on investment property and financial assets at fair value through profit or loss of HK\$0.4 million and approximately HK\$2.84 million respectively, as well as the decrease in interest income received from financial assets at fair value through profit or loss of approximately HK\$0.12 million when compared to the three months ended 31 March 2019.

Commission expenses

The following is the breakdown on commission expenses:

	For the three months ended 31 March			
	2020	2019	Differences	Change
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(%)
	(unaudited)	(unaudited)		
		(restated)		
Commission for brokerage services	3,060	2,075	985	47.5
Commission for insurance consultancy services	136	293	(157)	(53.6)
Total	3,196	2,368	828	35.0

Commission expenses for the three months ended 31 March 2020 was approximately HK\$3.20 million, representing an increase of approximately 35.0% as compared to the commission expenses of approximately HK\$2.37 million for the three months ended 31 March 2019 (restated), which was mainly due to the increase in commission expenses from trading in Stock-Connect shares as well as from the placing and underwriting services.

Other operating expenses

Other operating expenses mainly comprised (i) exchange and clearing fee; (ii) information services expenses; (iii) legal, consultancy and professional fee; (iv) marketing and entertainment expenses; and (v) insurance expenses, which accounted for approximately 58.7% (2019: 71.6%) of the total other operating expenses. Other operating expenses for the three months ended 31 March 2020 was approximately HK\$3.09 million, representing a decrease of approximately 28.7% as compared to the other operating expenses of approximately HK\$4.33 million for the three months ended 31 March 2019 (restated), mainly due to:

- (i) decrease in exchange and clearing fee of approximately HK\$0.84 million due to cessation of warrant trading which involved higher fee since March 2019; and
- (ii) decrease in information services expenses of approximately HK\$0.51 million due to decrease in expenses related to system improvement.

However, the effect was partly offset by the increase in miscellaneous expenses of approximately HK\$0.11 million for the three months ended 31 March 2020.

Profit for the period attributable to owners of the parent

Profit for the three months ended 31 March 2020 was approximately HK\$3.26 million, representing a decrease of approximately 34.2% as compared to the profit of approximately HK\$4.96 million for the three months ended 31 March 2019 (restated) mainly due to the following reasons:

- (i) fair value loss on financial assets of approximately HK\$0.70 million was recorded for the period ended 31 March 2020, when compared to a fair value gain on financial assets of approximately HK\$2.14 million for the period ended 31 March 2019; and
- (ii) fair value loss on investment property of HK\$0.30 million was recorded for the period ended 31 March 2020, when compared to a fair value gain on investment property of HK\$0.10 million for the period ended 31 March 2019.

However, if the impact on the fair value loss/(gain) on financial assets and investment property were excluded, the net profit for the period ended 31 March 2020 would increase when compared to the period ended 31 March 2019, mainly due to the increase in revenue for the period ended 31 March 2020. Detailed analysis is shown as follows:

	For the three months ended	
	31 March	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited)
		(restated)
Net profit for the period	3,262,766	4,959,678
Adjusted by:		
Fair value loss/(gain) on financial assets at fair value		
through profit or loss	702,275	(2,139,600)
Fair value loss/(gain) on investment property	300,000	(100,000)
Net profit for the period after excluding fair value changes	4,265,041	2,720,078

EVENTS AFTER THE REPORTING PERIOD

The Group has assessed the impact of COVID-19 on its financial position and operating results since the outbreak of COVID-19 in January 2020. Short-term volatility and challenges to the global stock market are noticed due to adverse market and investment sentiment. However, the degree of impact of COVID-19 on the Group's financial results depends on the development of this subsequent event, the extent of which could not be estimated as at the date of this report. The Group will closely monitor the situation and assess its impacts on the financial position and operating results.

DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

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

There was no material acquisition or disposal of subsidiaries and affiliated companies and significant investments by the Group during the three months ended 31 March 2020.

OTHER INFORMATION

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

As at 31 March 2020, 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) relating to securities transactions by the Directors to be notified to our Company and the Stock Exchange, were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity/nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
Ms. Kou Kuen ⁽¹⁾	Interested in a controlled corporation	113,446,250	56.72%
	Beneficial owner	2,100,000	1.05%
Mr. Chan Ying Kit ⁽¹⁾ and ⁽²⁾	Interest of spouse	115,546,250	57.77%
Mr. Chiu Che Leung, Stephen	Beneficial owner	3,000,000	1.50%

Notes:

- (1) Dr. TT Kou's Family Company Limited (“**DTTKF**”) is the registered owner of 113,446,250 shares, representing 56.72% 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	DTTKF	Beneficial owner	111,031,667	73.40%
Mr. Chan Pui Chuen	DTTKF	Beneficial owner	20,640,000	13.65%
Mr. Chan Ying Kit	DTTKF	Beneficial owner	10,000,000	6.61%

Save as disclosed above, as at 31 March 2020, 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 31 March 2020, so far as it is known to the Directors, the following person, not being a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group:

Name of Shareholder	Capacity/Nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
DTTKF ⁽¹⁾	Beneficial owner	113,446,250	56.72%

Note:

- (1) DTTKF is the registered owner of 113,446,250 shares, representing 56.72% 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 31 March 2020, the Company has not been notified by any persons, other than the Directors and the chief executives who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 14 June 2018. For the principal terms of the Share Option Scheme, please refer to the section headed “Share Option Scheme” in the “Report of the Directors” of the annual report 2019. The details of the Share Option Scheme and the movements of the share options under the Share Option Scheme during the three months ended 31 March 2020 are set out as follows:

Category of participants	Date of grant ⁽¹⁾	Exercise and vesting period	Exercise price per share (-HK\$)	Number of share options					Outstanding as at 31 March 2020
				Outstanding as at 1 January 2020	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	1,412,000	-	-	(2,000)	-	1,410,000
Total				1,412,000	-	-	(2,000)	-	1,410,000

Note:

- (1) The Company received a consideration of HK\$1.00 from each of the grantees for the Options granted on 18 January 2019.

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the three months ended 31 March 2020.

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

During the three months ended 31 March 2020, 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 regarding securities transactions 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 three months ended 31 March 2020.

COMPETING INTERESTS

Save for the continuing connected transactions as disclosed in the section headed "Continuing Connected Transactions" in the "Report of the Directors" in the annual report 2019, 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 that competed or might compete with business of the Group during the three months ended 31 March 2020.

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 three months ended 31 March 2020, 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 (as defined in the GEM Listing Rules) 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 31 March 2020 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 CG Code.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 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

Mr. Chan Ying Kit

Chairman

Hong Kong, 7 May 2020

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.