

Victory Securities (Holdings) Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8540



2022
FIRST
QUARTERLY
REPORT

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			
	2022	2021	Differences	Change
	HK\$	HK\$	HK\$	(%)
	(unaudited)	(unaudited)		
Revenue	21,110,003	32,670,088	(11,560,085)	(35.4)
Commission expenses	2,714,275	6,099,414	(3,385,139)	(55.5)
Staff costs	6,833,401	7,179,334	(345,933)	(4.8)
Other operating expenses	4,209,215	3,938,714	270,501	6.9
Profit for the period	2,614,126	9,676,659	(7,062,533)	(73.0)
Basic and diluted earnings per share (in HK cents)	1.42	5.06		

Revenue for the three months ended 31 March 2022 was approximately HK\$21.11 million, representing a decrease of approximately 35.4% as compared to the revenue of approximately HK\$32.67 million for the three months ended 31 March 2021, reflecting the decrease in revenue mainly from securities/futures brokerage services, handling fee services, financing services and financial advisory services, as a result of the unfavourable market atmosphere in the first quarter of year 2022 when compared to the first quarter of year 2021.

Profit for the three months ended 31 March 2022 was approximately HK\$2.61 million, representing a decrease of approximately 73.0% as compared to the profit of approximately HK\$9.68 million for the three months ended 31 March 2021 mainly due to decrease in revenue as mentioned above.

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2022 (for the three months ended 31 March 2021: 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 2022 together with the comparative figures for the corresponding period in 2021 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2022

		For the three months ended 31 March	
	Notes	2022 HK\$	2021 HK\$
REVENUE	4		
Revenue from contracts with customers		13,056,871	23,592,927
Interest income		8,053,132	9,077,161
		21,110,003	32,670,088
Other income and gains/(losses), net	5	(625,517)	(1,170,098)
		20,484,486	31,499,990
Commission expenses		(2,714,275)	(6,099,414)
Depreciation and amortisation		(1,341,669)	(1,138,335)
Staff costs		(6,833,401)	(7,179,334)
Other operating expenses		(4,209,215)	(3,938,714)
(Charge)/release for allowance for expected credit losses on accounts receivable, net		(175,093)	4,879
Share-based payment expenses		(630,185)	–
Finance costs	6	(1,237,905)	(2,101,867)
Share of losses of associates		(147,929)	(137,296)
PROFIT BEFORE TAX	7	3,194,814	10,909,909
Income tax expense	8	(580,688)	(1,233,250)
PROFIT FOR THE PERIOD		2,614,126	9,676,659
Attributable to:			
Owners of the parent		2,640,876	9,676,659
Non-controlling interests		(26,750)	–
		2,614,126	9,676,659
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (in HK cents)	9	1.42	5.06



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	For the three months ended	
	31 March	
	2022	2021
	HK\$	HK\$
PROFIT FOR THE PERIOD	2,614,126	9,676,659
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	16,197	(87,507)
Other comprehensive 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 gain	493,848	4,842,789
– income tax effect	(81,485)	(799,060)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	428,560	3,956,222
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,042,686	13,632,881
Attributable to:		
Owners of the parent	3,076,307	13,632,881
Non-controlling interests	(33,621)	–
	3,042,686	13,632,881

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Attributable to owners of the parent										
	Share capital HK\$	Share premium HK\$	Property revaluation reserve HK\$	Share option reserve HK\$	Shares held under the share award scheme HK\$	Merger reserve HK\$	Exchange fluctuation reserve HK\$	Retained profits HK\$	Total HK\$	Non-controlling interests HK\$	Total equity HK\$
For the three months ended 31 March 2022											
At 1 January 2022 (audited)	2,000,418	55,032,821	37,082,855	-	(18,476,800)	96,200,000	1,131,013	42,823,759	215,794,066	149,286	215,943,352
Profit for the period	-	-	-	-	-	-	-	2,640,876	2,640,876	(26,750)	2,614,126
Other comprehensive income for the period:											
Change in fair value of land and buildings, net of tax	-	-	412,363	-	-	-	-	-	412,363	-	412,363
Exchange differences on translation of foreign operations	-	-	-	-	-	-	23,068	-	23,068	(6,871)	16,197
Total comprehensive income for the period	-	-	412,363	-	-	-	23,068	2,640,876	3,076,307	(33,621)	3,042,686
Equity-settled share option arrangements	-	-	-	630,185	-	-	-	-	630,185	-	630,185
At 31 March 2022 (unaudited)	2,000,418	55,032,821*	37,495,218*	630,185*	(18,476,800)*	96,200,000*	1,154,081*	45,464,635*	219,500,558	115,665	219,616,223



Attributable to owners of the parent

	Share capital	Share premium	Property revaluation reserve	Share option reserve	Shares held under the share award scheme	Merger reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
For the three months ended 31 March 2021											
At 1 January 2021 (audited)	2,000,418	55,032,821	31,735,153	-	(10,286,800)	96,200,000	976,374	33,283,894	208,941,860	-	208,941,860
Profit for the period	-	-	-	-	-	-	-	9,676,659	9,676,659	-	9,676,659
Other comprehensive income for the period:											
Change in fair value of land and buildings, net of tax	-	-	4,043,729	-	-	-	-	-	4,043,729	-	4,043,729
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(87,507)	-	(87,507)	-	(87,507)
Total comprehensive income for the period	-	-	4,043,729	-	-	-	(87,507)	9,676,659	13,632,881	-	13,632,881
Purchase of shares held under the share award scheme	-	-	-	-	(8,190,000)	-	-	-	(8,190,000)	-	(8,190,000)
At 31 March 2021 (unaudited)	2,000,418	55,032,821*	35,778,882*	-	(18,476,800)*	96,200,000*	888,867*	42,960,553*	214,384,741	-	214,384,741

* These reserve accounts comprise the consolidated other reserves of HK\$217,500,140 as at 31 March 2022 (2021: HK\$212,384,323) in the unaudited condensed consolidated statement of financial position.

NOTES TO 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/insurance policies broking, placing and underwriting services and advising on securities services, financing services, asset management services, financial advisory services and investment 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, 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 (“Victory Securities (HK)”))	Hong Kong	HK\$145,000,000	–	100%	Securities/futures broking and placing and underwriting services, advising on securities services, financing services, asset management services and investment consultancy 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
VSAM Company Limited	Hong Kong	HK\$1,000,000	–	100%	Inactive
VS Capital Limited	Hong Kong	HK\$5,000,000	–	100%	Provision of financial advisory services
深圳市勝利私募證券投資基金管理有限公司*	Shenzhen, People’s Republic of China	RMB50,000,000	–	100%	Provision of asset management services
Victory Spectacular Fund SPC**	Cayman Islands	US\$0.01	–	100%	Inactive
Victory Asset Management Japan Limited***	Japan	JPY20,000,000	–	85%	Provision of asset management services
Victory Privilege Fund OFC****	Hong Kong	HK\$10	–	100%	Provision of asset management services

- * 廣州市勝利私募證券投資基金管理有限公司 eventually changed its name to 深圳市勝利私募證券投資基金管理有限公司 and relocated its office from Guangzhou to Shenzhen on 22 December 2021.
- ** Victory Privilege Fund SPC changed its name to Victory Spectacular Fund SPC on 15 July 2021.
- *** Victory Asset Management Japan Limited was incorporated on 21 January 2021.
- **** Victory Privilege Fund OFC was incorporated on 3 November 2021.

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 2021. 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. 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.

Basis of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Group for the three months ended 31 March 2022. 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 2022 have not been reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.

3. CHANGES IN ACCOUNTING POLICIES

Other than changes in accounting policies resulting from 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 2022 are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2021. These unaudited condensed consolidated financial statements for the three months ended 31 March 2022 should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2021.

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group adopted the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition. The amendments did not have any significant impact on the Group's financial statements.



- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments did not have any significant impact on the Group's financial statements.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments did not have any significant impact on the Group's financial statements.

4. REVENUE

An analysis of revenue is as follows:

	For the three months ended	
	31 March	
	2022	2021
	HK\$	HK\$
<i>Revenue from contracts with customers</i>	13,056,871	23,592,927
<i>Revenue from other sources</i>		
Interest income calculated using the effective interest method from:		
– clients	7,905,616	8,903,262
– authorised institutions	136,063	159,877
– others	11,453	14,022
	21,110,003	32,670,088

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



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

	For the three months ended	
	31 March	
	2022	2021
	HK\$	HK\$
Commission and brokerage income	8,517,254	19,275,106
Placing and underwriting commission income	1,117,685	691,466
Income from advising on securities	150,000	–
Handling fee income	1,574,260	1,900,846
Asset management fee	1,417,151	1,117,863
Financial advisory fee	–	304,200
Service fee income from share option scheme	90,000	90,000
Insurance consultancy fee	190,521	213,446
Total revenue from contracts with customers	13,056,871	23,592,927

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

	For the three months ended	
	31 March	
	2022	2021
	HK\$	HK\$
Other income		
Government grant	–	60,000
Gross rental income	108,500	121,500
Sundry income	74,813	30,158
	183,313	211,658
Trading losses, net		
Fair value losses on financial assets at fair value through profit or loss	(856,564)	(666,468)
Dividend income from financial assets at fair value through profit or loss	58,414	84,712
	(798,150)	(581,756)
Other loss, net		
Fair value loss on investment property	–	(800,000)
Loss on disposal of items of property, plant and equipment	(10,680)	–
	(10,680)	(800,000)
	(625,517)	(1,170,098)



6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the three months ended	
	31 March	
	2022	2021
	HK\$	HK\$
Interest on bank loans, overdrafts and other loans	897,420	1,664,299
Interest on bonds issued	49,315	49,315
Interest on client payables with no fixed repayment terms	262,959	371,739
Interest on lease liabilities	28,211	16,514
Total interest expense on financial liabilities not at fair value through profit or loss	1,237,905	2,101,867

7. PROFIT BEFORE TAX

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

	For the three months ended	
	31 March	
	2022	2021
	HK\$	HK\$
Amortisation	41,925	111,930
Depreciation of property, plant and equipment	692,956	632,766
Depreciation of right-of-use assets	606,788	393,639
Direct operating expenses arising from rental-earning investment property	2,004	1,504
Exchange and clearing fee	251,170	406,339
Foreign exchange differences, net	84,597	170,866
Information service expenses	549,204	510,703
Lease payments not included in the measurement of lease liabilities	40,005	27,103
Charge/(release) for allowance for expected credit losses on accounts receivable, net	175,093	(4,879)
Share-based payment expenses	630,185	–

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

	For the three months ended	
	31 March	
	2022	2021
	HK\$	HK\$
Current tax:		
Charge for the year	464,519	1,113,917
Deferred tax	116,169	119,333
Total tax charge for the period	580,688	1,233,250

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 amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 185,612,000 (2021: 191,352,000) in issue 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 Group had no potentially dilutive ordinary shares in issue during the three months ended 31 March 2021. No adjustment has been made to the basic earnings per share amounts presented for the three months ended 31 March 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

10. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2022 (31 March 2021: 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/insurance policies broking, placing and underwriting services and advising on securities services; (ii) financing services; (iii) asset management services; (iv) financial advisory services; and (v) investment consultancy services. The core strength of the Group lies in its robust business model, with diverse businesses to withstand increasingly complex market conditions.

Update on business development

Save as disclosed in the section headed “Update on business development” in the “Management Discussion and Analysis” of the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), there is no further update on the business development during the three months ended 31 March 2022 and up to the date of this report.

BUSINESS REVIEW, OUTLOOK AND PROSPECTS

The economies of Hong Kong, PRC and the rest of the world has faced great challenges in year 2021. The continuation of the COVID-19 pandemic has reduced the motivation for outbound investment from different investors and they tend to be more prudent in making investment decisions. The unfavourable investment sentiment and the volatility in the local and global financial markets have exerted pressure on the Group's operations.

Due to the uncertainties in both regional and global economies in view of the war between Ukraine and Russia and the rise in commodity price such as oil, the capital market in Hong Kong has been adversely affected in the first quarter of the year 2022. The total turnover of the Hong Kong stock market decreased from approximately HK\$13,688.79 billion for the three months ended 31 March 2021 to approximately HK\$8,938.20 billion for the three months ended 31 March 2022, representing a decrease of approximately 34.7%. This decrease in trading turnover has a negative impact on the revenue of the Group during the three months ended 31 March 2022.



The Group will continue to play an active role in participating in other financial transactions in the market in order to further develop and strengthen its market position as an integrated financial services provider. Moreover, the Group has allocated more resources to its asset management segment to expand the scale of this segment and to attract funds from different sources through setting up a new subsidiary in PRC, and subscribing for 30% of the issued shares in a Singaporean incorporated asset management company during year 2020, and also setting up a new subsidiary in Fukuoka, Japan during January 2021. The Group will also seek business opportunities in this segment through acquisitions on a selective basis, and continue to explore potential opportunities in the financial advisory services segment, which much depends on the development of COVID-19 pandemic as the anti-epidemic measures on COVID-19 have caused much disruption to business activities related to this segment. The Group will continue to review and evaluate the business objectives and strategies and make timely execution by taking into account the relevant business risks and market uncertainties.

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 year 2022 may still be affected by certain global and domestic factors, including the impact of COVID-19. This has brought short-term volatility and challenges to the global stock market due to adverse market and investment sentiment, but up to the date of this report, the foregoing had not had a material adverse impact on the Group. However, the medium to long term impact of COVID-19 on the Group's financial and operating performance depends on the duration of the pandemic, which much depends on the effects of the prevention and control measures implemented by the relevant authorities to stop the spread of the virus and the effectiveness of the COVID-19 vaccines. The Company will closely monitor the situation and assess its impact on the Group's financial position and operating results.

FINANCIAL REVIEW

Revenue

The revenue of the Group's core business sectors for the three months ended 31 March 2022 and 2021 are summarized as below:

	For the three months ended			
	31 March			
	2022	2021	Differences	Change
	HK\$'000	HK\$'000	HK\$'000	(%)
	(unaudited)	(unaudited)		
Securities/futures broking services, placing and underwriting services and advising on securities services	11,596	22,132	(10,536)	(47.6)
Financing services	7,906	8,903	(997)	(11.2)
Asset management services	1,417	1,118	299	26.8
Financial advisory services	–	304	(304)	(100.0)
Insurance brokerage services	191	213	(22)	(10.7)
Total	21,110	32,670	(11,560)	(35.4)



(1) **Securities/futures broking services, 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 three months ended 31 March 2022 and 2021:

	For the three months ended			
	31 March		Differences	Change
	2022	2021		
HK\$'000	HK\$'000	HK\$'000	(%)	
(unaudited)	(unaudited)			
Brokerage services	8,517	19,275	(10,758)	(55.8)
Placing and underwriting services	1,118	691	427	61.6
Advising on securities services	150	–	150	N/A
Others	1,811	2,166	(355)	(16.4)
Total	11,596	22,132	(10,536)	(47.6)

(a) *Securities/futures brokerage services*

For the three months ended 31 March 2022, the Group recorded revenue of approximately HK\$8.52 million from brokerage services, representing a decrease of approximately 55.8% as compared to the revenue of approximately HK\$19.28 million for the three months ended 31 March 2021. This was mainly due to a decrease in brokerage income derived from the Hong Kong stock market, in which the total turnover of the Hong Kong stock market decreased from approximately HK\$13,688.79 billion in the first quarter of year 2021 to approximately HK\$8,938.20 billion in the first quarter of year 2022, representing a decrease of approximately 34.7%.

(b) *Placing and underwriting services*

For the three months ended 31 March 2022, the Group recorded a revenue of approximately HK\$1.12 million from the placing and underwriting services, representing an increase of approximately 61.6% as compared to the revenue of approximately HK\$0.69 million for the three months ended 31 March 2021. This was mainly due to successful placement of a new initial public offering (“**IPO**”) project during the period ended 31 March 2022.

(c) *Advising on securities services*

For the three months ended 31 March 2022, the Group recorded revenue of approximately HK\$0.15 million from advising on securities services, as compared to the revenue of nil for the three months ended 31 March 2021. Revenue from this sector was derived from giving research reports and analysis and the amount increased mainly due to the increase in engagements when compared to the three months ended 31 March 2021.

(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; (ii) interest income from deposits; and (iii) employees' share option scheme income. For the three months ended 31 March 2022, the Group recorded revenue from other services of approximately HK\$1.81 million, representing a decrease of approximately 16.4% as compared to the revenue of approximately HK\$2.17 million for the three months ended 31 March 2021. The decrease of revenue from such other services was mainly due to a decrease in handling fee income charged to clients for the subscription of shares from IPO.



(2) *Financing services*

For the three months ended 31 March 2022, the Group recorded interest income of approximately HK\$7.91 million from financing services, representing a decrease of approximately 11.2% as compared to the revenue of approximately HK\$8.90 million for the three months ended 31 March 2021. This was mainly due to the decrease in the overall margin loan to clients due to unfavourable market condition which investors tend to be more conservative.

(3) *Asset management services*

For the three months ended 31 March 2022, the Group recorded revenue of approximately HK\$1.42 million from asset management services, representing an increase of approximately 26.8% as compared to the revenue of approximately HK\$1.12 million for the three months ended 31 March 2021. This was mainly due to increase in revenue from new customers when compared to the three months ended 31 March 2021.

(4) *Financial advisory services*

For the three months ended 31 March 2022, the Group recorded revenue of nil from the financial advisory services, representing a decrease of 100.0% as compared to the revenue of approximately HK\$0.30 million for the three months ended 31 March 2021. This was mainly due to travel restrictions and social distance requirements which have caused much disruption to business activities related to this segment.

(5) *Insurance consultancy services*

For the three months ended 31 March 2022, the Group recorded revenue of approximately HK\$0.19 million from insurance consultancy services, representing a decrease of approximately 10.7% as compared to the revenue of approximately HK\$0.21 million for the three months ended 31 March 2021. Approximately 95% of the Group's insurance consultancy services revenue is generated from long-term insurance plans and the decrease in revenue was mainly due to the decrease in premium size per client.

Other income and gains/(losses), net

Other income and gains/(losses), net was approximately HK\$0.63 million (losses) for the three months ended 31 March 2022, representing a decrease of approximately 46.5% as compared to the losses of approximately HK\$1.17 million for the three months ended 31 March 2021. Such decrease in losses was mainly due to decrease in fair value loss on investment property of HK\$0.80 million when compared to the three months ended 31 March 2021, which was partly compensated by the increase in fair value losses financial assets at fair value through profit or loss of approximately HK\$0.19 million.

Commission expenses

The following is the breakdown on commission expenses:

	For the three months ended 31 March			
	2022	2021	Differences	Change
	HK\$'000	HK\$'000	HK\$'000	(%)
	(unaudited)	(unaudited)		
Commission for brokerage services	2,603	6,010	(3,407)	(56.7)
Commission for insurance consultancy services	111	89	22	25.5
Total	2,714	6,099	(3,385)	(55.5)

Commission expenses for the three months ended 31 March 2022 was approximately HK\$2.71 million, representing a decrease of approximately 55.5% as compared to the commission expenses of approximately HK\$6.10 million for the three months ended 31 March 2021, which decreased in line with the decrease in revenue from securities/futures brokerage 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) staff welfare, marketing and entertainment expenses; and (v) insurance expenses, which accounted for approximately 73.2% (2021: 71.2%) of the total other operating expenses. Other operating expenses for the three months ended 31 March 2022 was approximately HK\$4.21 million, representing an increase of approximately 6.9% as compared to the other operating expenses of approximately HK\$3.94 million for the three months ended 31 March 2021, mainly due to increase in legal, consultancy and professional fee of approximately HK\$0.88 million.

Profit for the period attributable to owners of the parent

Profit for the three months ended 31 March 2022 was approximately HK\$2.61 million, representing a decrease of approximately 73.0% as compared to the profit of approximately HK\$9.68 million for the three months ended 31 March 2021 mainly due to decrease in revenue as mentioned above.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this report, there were 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 three months ended 31 March 2022 (three months ended 31 March 2021: 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 2022.

OTHER INFORMATION

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

As at 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to our Company and the Stock Exchange, were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity/nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
Ms. Kou Kuen ⁽¹⁾	Interested in a controlled corporation	110,193,750	55.09%
	Beneficial owner	8,676,000	4.34%
Mr. Chan Ying Kit ^{(1) and (2)}	Interest of spouse	118,869,750	59.42%
Mr. Chiu Che Leung, Stephen	Beneficial owner	1,000,000	0.50%
Mr. Chan Pui Chuen	Beneficial owner	3,394,000	1.70%

Notes:

- (1) Dr. TT Kou's Family Company Limited ("DTTKF") is the registered owner of 110,193,750 shares, representing 55.09% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Mr. Chan Pui Chuen, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan and Mr. Ko Yuen Fai in the proportion of approximately 75.57%, 14.05%, 6.81%, 2.67% and 0.90%, respectively. Accordingly, Ms. Kou 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	75.57%
Mr. Chan Pui Chuen	DTTKF	Beneficial owner	20,640,000	14.05%
Mr. Chan Ying Kit	DTTKF	Beneficial owner	10,000,000	6.81%

Save as disclosed above, as at 31 March 2022, 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 2022, so far as it is known to the Directors, the following person, not being a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group:

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

Note:

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

Save as disclosed above, as at 31 March 2022, 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 2021 Annual Report.

The details of the Scheme and the movements of the share options under the Scheme during the period ended 31 March 2022 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 31 March 2022
				Outstanding as at 1 January 2022	Granted during the period	Lapsed or forfeited during the period	Exercised during the period	Cancelled during the period	
Employees	30 December 2021	30 December 2022 to 14 June 2028	2.29	2,115,000	-	-	-	-	2,115,000
		30 December 2023 to 14 June 2028	2.29	2,115,000	-	-	-	-	2,115,000
		30 December 2024 to 14 June 2028	2.29	2,820,000	-	-	-	-	2,820,000
Total				7,050,000	-	-	-	-	7,050,000

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the period ended 31 March 2022.

SHARE AWARD SCHEME

The Company has adopted a share award scheme (the “**Share Award Scheme**”) on 11 August 2020. The purpose of the Share Award Scheme is, through an award of shares of the Company, to (i) recognise and reward the contribution of certain eligible person(s) for the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The Company has entered into the trust deed of the Share Award Scheme (the “**Trust Deed**”) with Victory Global Trustee Company Limited (“**Victory Global Trustee**”) on 11 August 2020, in which Victory Global Trustee will act as Trustee of the Share Award Scheme (the “**Trustee**”). The Trustee shall, during the period which the Trust Deed is valid, apply the cash income of the trust fund towards (i) the payment of the fees, costs and expenses of the trust constituted by the Trust Deed (the “**Trust**”) in accordance with the Trust Deed and (ii) the remainder, if any, such other purpose as the Trustee and the Board shall agree from time to time. Cash income shall include net proceeds of sale of non-cash or non-scrip distribution in respect of a share of the Company held upon the Trust.

For the principal terms of the Share Award Scheme, please refer to the section headed “Share Award Scheme” in the “Report of the Directors” of the 2021 Annual Report.

The Company did not purchase any of its own ordinary shares through the Trustee during the three months ended 31 March 2022. The movements of the shares held under the Trustee during the three months ended 31 March 2022 are set out in the “Unaudited Condensed Consolidated Statement of Changes in Equity” in this report. No shares were awarded to selected participants during the three months ended 31 March 2022.

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

During the three months ended 31 March 2022, 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 2022.



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 2021 Annual Report, 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 2022.

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 2022, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

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 2022 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, 5 May 2022

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.