ANNUAL
REPORT
2018

VICTORY SECURITIES 勝利證券

Victory Securities (Holdings) Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8540

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Kou Kuen *(Chief Executive Officer)*
Mr. Chiu Che Leung, Stephen
Mr. Chan Pui Chuen
Ms. Yao Yunzhu

Non-executive Director

Mr. Chan Ying Kit *(Chairman)*

Independent Non-executive Directors

Mr. Leung Kwong Kin
Mr. Liu Chun Ning Wilfred
Dr. Yan Ka Shing

AUDIT COMMITTEE

Mr. Leung Kwong Kin *(Chairman)*
Mr. Chan Ying Kit
Dr. Yan Ka Shing

REMUNERATION COMMITTEE

Mr. Leung Kwong Kin *(Chairman)*
Ms. Kou Kuen
Dr. Yan Ka Shing

NOMINATION COMMITTEE

Dr. Yan Ka Shing *(Chairman)*
Mr. Chan Pui Chuen
Mr. Leung Kwong Kin

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Mr. Wong Wai Chiu *(FCIS, FCS)*
Mr. Chan Pui Chuen

COMPLIANCE OFFICER

Mr. Chiu Che Leung, Stephen

AUTHORISED REPRESENTATIVES

Ms. Kou Kuen
Mr. Chiu Che Leung, Stephen

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Chong Hing Bank Limited

REGISTERED OFFICE

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COMPANY'S WEBSITE

https://www.victorysec.com.hk

STOCK CODE

8540

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**") of Victory Securities (Holdings) Company Limited (the "**Company**"), I am pleased to present the annual report and the financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Review Year**").

The Group is a well-established integrated securities house in Hong Kong providing a wide range of securities broking and related financial services to our clients including (i) securities/futures broking and placing and underwriting services; (ii) financing services and (iii) assets management services. The Company was listed on the GEM of The Stock Exchange of Hong Kong Limited on 16 July 2018, which was a major milestone in our journey towards excellence as well as enhancing the recognition and social influence of the Company.

REGULATION AND MARKET OVERVIEW

The stock market performance in Hong Kong in 2018 was full of challenges, down from its historical high of 34,331 (Hang Seng Index) points in January 2018 to 24,540 at late October and then to 25,845 points at the end of the year, representing a drop of 25% from the highest to year end of 2018, the total volatility during the year was about 9,900 points, and both indicators implied a significant decline of the industry.

Despite the depressing performance of the stock market in 2018, the number of listed companies in Hong Kong Stock Exchange attained an increase from 2118 at end of 2017 to 2315 at end of 2018, representing an increase of 9.3%.

The securities industry has always been a highly regulated industry. We expect the regulator will keep closely monitoring and tightening the control measurements to reflect the market efficiency. The Group strives to improve risk management capacity so as to ensure a sound credit-management process, thereby achieving stable returns amid an unstable market environment. In an orderly market, plus the right positioning of Hong Kong itself, we entrust the financial market in Hong Kong will sustain its strength and growth. As one of the participants in Hong Kong financial market, we will perform ourselves by employing Hong Kong's strength and expertise as our own.

BUSINESS REVIEW

Our industry highly depends on the market performance in Hong Kong and other major financial centres in the world. In the year of 2018, we all faced severe challenges, as USA experienced continuous strong economy growth, it further tightened monetary policy by shrinking Fed's balance sheet and raising interest rate four times during the year. At the same time, China's cracking down shadow bank started showing consequence, such as money flowing out of stock market, debt default, and private-owned SMEs bankruptcy. On top of these, US-China trade war sent the Heng Seng Index straightly to its year low, representing a drop over 25% after hitting the record high in January, and China Shanghai composite index also plunged approximately 25%. Our industry was experiencing a quite difficult year of 2018, especially for the second half of the same.

As such, our revenue and other income increased merely by 2.0% from HK$64.35 million for the year ended 31 December 2017 to HK$65.63 million for the Review Year. The market performance as mentioned above significantly affected our valuations of investment products.

Even though in a tough year like 2018, our revenue derived by core businesses recorded an increase of 15.0% from HK$56.43 million for the year ended 31 December 2017 to HK$64.91 million for the Review Year, as number of shares traded in the US market and turnover amount in Hong Kong and other markets achieved a growth.

CHAIRMAN'S STATEMENT

PROSPECTS

We expect the market performance in 2019 would be more positive than that in 2018, and the number of listing companies will keep increasing, resulting an uptrend of number of financial transactions; all these indications will benefit the Company's business development and expansion in horizontal terms.

I believed, following the successful listing of the Company, the group will have more business opportunities and exposures. For the year 2019, we are more confident to open up our new business lines, such as equity capital market division, financial advisory business, in which the application of the type 6 (advising on corporate finance) license is in progress and will start operation upon approval of license by the Securities and Futures Commission, as well as participation in other financial actions/transactions took place in the market. Meanwhile, as we indicated in our prospectus, we will allocate more resources to asset management segment, a vertical development of which is anticipated.

APPRECIATION

I would like to extend my sincere gratitude to all my fellow directors, our management team and staff for their efforts and contributions to the Group. I would also like to thank all our shareholders, customers and business partners for their trust and support throughout the year.

On behalf of the Board
Chan Ying Kit
Chairman and Non-Executive Director

Hong Kong, 22 March 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	Change
	HK$	HK$	(%)
Revenue	**64,906,137**	56,433,162	15.0
Other operating expenses	**27,621,023**	17,068,586	61.8
Profit for the year	**7,125,553**	17,653,083	(59.6)
Basic and diluted earnings per share (in HK cents)	**4.12**	11.77	

Revenue for the year ended 31 December 2018 was 15.0% higher than the year ended 31 December 2017, reflecting the increase in revenue contributed by placing and underwriting services and financing services.

Profit for the year decreased by approximately 59.6% as compared to the year ended 31 December 2017 mainly due to the following reasons:

(1) substantial decrease in fair value gains from investment property of approximately HK$4.20 million;

(2) increase in provision for loss on guaranteed contracts pursuant to the "loss protection" clause in the asset management agreements of approximately HK$1.24 million;

(3) increase in foreign exchange loss of approximately HK$1.47 million mainly from assets denominated in Reminbi ("**RMB**") due to depreciation of RMB;

(4) fair value losses on financial assets at fair value through profit or loss of approximately HK$0.30 million was recorded for the year ended 31 December 2018, as compared to a fair value gains in financial assets at fair value through profit or loss of approximately HK$2.56 million for the corresponding period due to sluggish performance in the Hong Kong stock market in the second half of the year 2018.

A final dividend of HK1.50 cents per share for the year ended 31 December 2018 was recommenced by the Board and payable subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Victory Securities (Holdings) Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is a well-established integrated financial services provider in Hong Kong providing a wide range of securities broking and related financial services to our clients including (i) securities broking and placing and underwriting services; (ii) financing services and (iii) assets management services. The Company was successfully listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of share offer (the "**Listing**") on 16 July 2018 (the "**Listing Date**").

Securities broking and placing and underwriting services

Brokerage services

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

Revenue generated from securities broking services accounted for approximately 61.1% and 62.7% of the total revenue for the years ended 31 December 2018 and 2017, respectively.

Placing and underwriting services

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

Revenue generated from placing and underwriting services accounted for approximately 11.1% and 8.4% of the total revenue for the year ended 31 December 2018 and 2017, respectively. The Group provides all-rounded financial services to our customers and expects revenue from placing services would become one of the major income streams of the Group.

Others

The Group also derived handling fee income from scrip handling services, settlement services, account servicing, corporate-action-related services and certain other miscellaneous services, which accounted for approximately 11.4% and 12.0% of the total revenue for the years ended 31 December 2018 and 2017, respectively.

Financing services

The Group continued to solidify its customer base by enhancing marketing capabilities and optimising loan service processes. Generally, the Group provides margin financing and short-term initial public offering of the shares ("**IPO**") financing to customers to facilitate them to purchase securities in the secondary market and apply for new shares in connection with IPOs respectively. In return, the Group derives interest income. The Group also generates interest income from cash account customers on their overdue debit balance. For the years ended 31 December 2018 and 2017, approximately 15.5% and 12.9% of the total revenue was derived from financing services, respectively.

Such increase in revenue and proportion to total revenue reflects an increasing demand from investors leveraging their investment return by borrowings. The Group aims to develop a niche in the loan market, providing corporate and retail customers with tailored liquidity solutions to meet their goals and personal needs.

Asset management services

The Group offers asset management services on a discretionary basis to high net worth customers who would like the Group to manage their portfolios on their behalf. The Group manages discretionary accounts and derive management fees and/or performance fees from the asset management services, which accounted for approximately 0.9% and 3.9% of the total revenue for the years ended 31 December 2018 and 2017, respectively.

FINANCIAL REVIEW

Revenue

The revenue of the Group's core business sectors for the years ended 31 December 2018 and 2017 are summarized as below:

	For the year ended 31 December 2018 (HK$'000)	For the year ended 31 December 2017 (HK$'000)	Change (%)
Securities broking and placing and underwriting services	**54,293**	46,938	15.7
Financing services	**10,039**	7,267	38.1
Asset management services	**574**	2,228	(74.2)
Total	**64,906**	56,433	15.0

(1) Securities broking and placing and underwriting services

Securities services comprise mainly brokerage services, placing and underwriting services. The table below sets out a breakdown of the revenue from securities broking services during the years ended 31 December 2018 and 2017:

	For the year ended 31 December 2018 (HK$'000)	For the year ended 31 December 2017 (HK$'000)	Change (%)
Brokerage services	**39,654**	35,406	12.0
Placing and underwriting services	**7,214**	4,760	51.6
Others	**7,425**	6,772	9.6
Total	**54,293**	46,938	15.7

(a) Brokerage services

For the year ended 31 December 2018, the Group recorded a revenue of approximately HK$39.65 million from the brokerage services, representing an increase of approximately 12.0% as compared to the revenue of approximately HK$35.41 million for the year ended 31 December 2017. This was mainly due to the increase in the securities trading volume of clients, which in turn was mainly attributable to the increase in the turnover volume of shares traded in the US market and turnover volume in Hong Kong and other markets.

(b) Placing and underwriting services

For the year ended 31 December 2018, the Group recorded revenue of approximately HK$7.21 million from the placing and underwriting services, representing an increase of approximately 51.6% as compared to the revenue of approximately HK$4.76 million for the year ended 31 December 2017. This was mainly due to the increase in placing and underwriting volume completed by the Group for the year ended 31 December 2018.

(c) Others

Others comprises (i) handling fee income arising from the services such as scrip handling services, settlement services, account servicing, corporate-action-related services, certain other miscellaneous services and (ii) interest income from our deposits. Revenue from such other services slightly increased during the year ended 31 December 2018 was mainly due to increase in securities trading volume of customers.

(2) Financing services

For the year ended 31 December 2018, the Group recorded interest income of approximately HK$10.04 million from financing services, representing an increase of approximately 38.1% as compared to the revenue of approximately HK$7.27 million for the year ended 31 December 2017. This was mainly due to the increase in the overall loan book extended to both margin and non-margin clients. This represented a keen demand for financing from customers for the sake of securities dealing in the markets.

(3) Asset management services

For the year ended 31 December 2018, the Group recorded revenue of approximately HK$0.57 million from asset management services (for the year ended 31 December 2017: HK$2.23 million). The decrease was mainly due to the depressing market performance in 2018 which negatively affected the performance fee derived from the assets under management.

Other income and gains/(losses), net

Other income and gains/(losses), net decreased from approximately HK$7.91 million for the year ended 31 December 2017 to approximately HK$0.72 million for the year ended 31 December 2018, representing a decrease of approximately 90.9%. Such decrease was mainly due to the decrease in the fair value gains on investment property by approximately HK$4.20 million, and a fair value loss on financial assets at fair value through profit or loss of approximately HK$0.30 million (for the year ended 31 December 2017: fair value gain of HK$2.56 million).

Commission expenses

Commission expenses increased from approximately HK$7.03 million for the year ended 31 December 2017 to approximately HK$9.45 million for the year ended 31 December 2018, representing an increase of approximately 34.5%, which was mainly due to the increase in income from brokerage and placing and underwriting services of approximately HK$7.36 million.

Other operating expenses

Other operating expenses increased from approximately HK$17.07 million for the year ended 31 December 2017 to approximately HK$27.62 million for the year ended 31 December 2018, representing an increase of approximately 61.8%, mainly due to the following reasons:

(i) increase in exchange and clearing fee by approximately HK$2.19 million arising from the increase in clients' trades in the stock markets;

(ii) increase in provision for loss on guaranteed contracts to the "loss protection" clause in the asset management agreements of approximately HK$1.24 million;

(iii) increase in listing expenses by approximately HK$0.75 million;

(iv) increase in foreign exchange losses by approximately HK$1.47 million mainly from assets denominated in Reminbi (“**RMB**”) due to depreciation of RMB;

(v) Increase in information services expenses, marketing expenses, entertainment expenses and legal, professional and consultancy fees by approximately HK$3.46 million due to increase in business scope after listing, as well as to explore for new business opportunities.

Profit for the year attributable to owners of the parent

For the year ended 31 December 2018, profit for the year attributable to owners of the parent was approximately to HK$7.13 million (for the year ended 31 December 2017: HK$17.65 million). The decrease in profit for the year attributable to owners of the parent was mainly due to decrease in fair value gains from investment property, fair value loss on financial assets at fair value through profit or loss, and increase in other operating expenses, which offset the effect from the increase in revenue from core businesses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has in place liquidity risk management system to identify, measure, monitor and control potential liquidity risk and to maintain our liquidity and financial resources requirements as specified under applicable laws and regulations, such as the Financial Resources Rules. The Group has established a multi-tiers authorization mechanism and internal policies and procedures for the management and approval on the use and allocation of capital. We have authorization limits in place for any commitment or fund outlay, such as procurement, investments, loans, etc., and we assess the impact of those transactions on the capital level. The Group meets its funding requirements primarily through bank borrowings from multiple banks. We have also adopted stringent liquidity management measures to ensure we satisfy capital requirements under the applicable laws. We have established limits and controls on margin loans and money lending loans on aggregate and individual loan basis.

During the year ended 31 December 2018, the Group financed its operations by cash flow from operating activities and bank borrowings. The Group was operating in a net cash outflow position for the year ended 31 December 2018, in which net cash used in operating activities amounted to HK$65.52 million (for the year ended 31 December 2017: net cash from operating activities of HK$2.07 million). As at 31 December 2018, aggregate of bank and cash balances of the Group amounted to HK$15.43 million (as at 31 December 2017: HK$9.00 million), which were substantially denominated in Hong Kong dollars (“**HK$**”).

As at 31 December 2018, the Group’s current assets and current liabilities were HK$293.23 million (as at 31 December 2017: HK$349.96 million) and HK$150.25 million (as at 31 December 2017: HK$261.51 million), respectively. As at 31 December 2018, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.95 times (as at 31 December 2017: 1.34 times). The improvement in the current ratio was mainly due to the net proceeds from listing.

As at 31 December 2018, the short-term bank borrowings of the Group increased to HK$76.50 million (as at 31 December 2017: HK$47.50 million). Size of the secured bank borrowings depends primarily on the increase in clients’ demand on our Group’s financing services which in turns affect our demand on the short-term bank loans. These borrowings are secured by margin clients’ securities and securities held by the Group, leasehold land and buildings and investment properties of the Group, and by corporate guarantees from the Company. The interest rate of our secured borrowings as at 31 December 2018 and 2017 ranged from one-week Hong Kong Interbank Offered Rate plus 2.25% for revolving term loans, and at Hong Kong Prime Rate/Hong Kong Prime Rate plus 0.5% per annum for overdrafts. All bank loans have maturity within one month and were denominated in HK$. The Group’s gearing ratio (measured as total bank borrowings over total assets) as at 31 December 2018 was 21.1% (as at 31 December 2017: 11.6%).

The Group’s investments are mainly financial assets at fair value through profit or loss. As at 31 December 2018, the market value of which were approximately HK$15.50 million (as at 31 December 2017: HK$12.97 million) and are equity securities listed in Hong Kong and convertible bonds issued by a company listed in Hong Kong.

The capital of the Group comprises ordinary shares as at 31 December 2018. As at 31 December 2018, total equity attributable to owners of the Company amounted to approximately HK$204.04 million (as at 31 December 2017: HK$143.46 million).

Use of Proceeds from Share Offer

Proceeds received from the issuance of 50 million ordinary shares ("**Offer Shares**") by share offer at HK$1.25 per share ("**Share Offer**") was HK$62.5 million. Net proceeds after deduction of listing expenses were approximate HK$44.0 million. As set out in the section headed "Business Objectives and Future Plans" in the prospectus of the Company dated 30 June 2018 (the "**Prospectus**"), the Company intends to use the net proceeds from its global offering for the follow purposes:

– 51.4%, or HK$22.6 million, will be used to enlarge the capacity of our financing services;

– 13.6%, or HK$6.0 million, will be used for upgrading our portfolio management system ("**PMS**") and order management system ("**OMS**");

– 11.4%, or HK$5.0 million, will be used for proprietary trading;

– 6.8%, or HK$3.0 million, will be used to expand our client network with a focus on high net worth and institutional clients;

– 5.7%, or HK$2.5 million, will be used for entering into the corporate finance advisory business;

– 4.5%, or HK$2.0 million, will be used to enhance our research capabilities and asset management service;

– the remaining amount of HK$2.9 million, representing 6.6% of the net proceeds from the issue of Offer Shares under the Share Offer, will be used to provide funding for our working capital and other general corporate purposes.

The Group's planned and actual utilization of net proceeds up to 31 December 2018 were as follow:

	Planned use of proceeds up to 31 December 2018, adjusted in the same manner and proportion as stated in the Prospectus HK$ million	Amount utilized up to 31 December 2018 HK$ million
Enlarge the capacity of margin financing	22.6	22.6
Working capital and other general corporate purpose	2.9	2.9
Proprietary trading	5.0	5.0
Upgrading of PMS and OMS	6.0	–
Expand our client network with a focus on high net worth and institutional clients	3.0	1.1
Entering into the corporate finance advisory business	2.5	–
Enhance research capabilities and asset management service	2.0	–
Total	44.0	31.6

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison Between Business Objectives and Actual Business Progress

The following is the comparison of the business objectives as stated in the Prospectus and the Group's actual business progress from the Listing date to 31 December 2018:

Business objectives	Actual business progress up to 31 December 2018
Enlarge the capacity of our financing services	Utilised for expanding our scope of financing services
Working capital and other general corporate purposes	Used as general working capital
Proprietary trading	Acquired convertible bonds issued by a listed company in Hong Kong
Upgrading our PMS and OMS	Considering the proposals from different vendors and the proceed was expected to be utilized in the near future
Expand our client network with a focus on high net worth and institutional clients	Utilised for marketing purposes to promote the Group's image
Entering into the corporate finance advisory business	The application of the respective license for corporate finance advisory business is still in progress and expected to be completed at the second quarter of 2019, the proceeds will be utilised once the license is approved
Enhance our research capabilities and asset management service	In the progress of hiring suitable staff and respective staff expected to be in position at the second quarter of 2019

Unused net proceeds were deposited in a licensed bank in Hong Kong and the Directors will apply remaining net proceeds in the manner set out in the Prospectus.

Pledge of Assets

As at 31 December 2018 and 2017, bank loans secured by margin clients' securities and securities held by the Group amounting to HK$70.96 million and HK$82.08 million, respectively, and leasehold land and buildings and investment properties of the Group with an aggregate carrying value amounting to HK$63.50 million and HK$58.00 million as at 31 December 2018 and 2017, respectively.

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in HK$, while the Group have assets and liabilities denominated in RMB and United States dollar ("**US$**") which may expose to foreign exchange risk. The Group currently does not have a foreign currency hedging policy, however, the management monitors foreign exchange exposure and have introduced measures to reduce assets denominated in foreign currencies, therefore the Group expects the foreign exchange exposure can be reduced upon successful implementation of the measures. The Group will also consider hedging significant foreign currency exposure should the needs arise.

CAPITAL AND OTHER COMMITMENTS

Save as disclosed in note 33 to the financial statements, the Group had no other commitments as at 31 December 2018 and 2017.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2018.

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 year ended 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

On 18 January 2019, the Company has granted share options (the "**Options**") to certain eligible employees to subscribe for a total of 1,737,000 ordinary shares of HK$0.01 each of the Company under the share option scheme adopted by the Company on 14 June 2018. Details of the Options are set out in the announcement of the Company dated 18 January 2019.

OUTLOOK AND PROSPECTS

Even though the stock market during the year 2018 did not perform as good as year 2017, brokerage income derived from the Hong Kong stock market slightly increased due to increase in turnover amount. The business in the US stock market remains strong and achieved growth in the number of shares traded. The Company believes that there will not be material adverse change in the Group's operation or prospects in the near future.

The sluggish performance in the Hong Kong stock market in the second half of 2018 did not have material adverse impact on the business for the year ended 31 December 2018, the Group was still able to record an increase in overall revenue by approximately 15.0%, which consisted of the increase in brokerage income, especially those derived from the US stock market, as well as the increase in placing and underwriting commission income and financing interest income. Uncertainties on the US economy growth, recent development on the trade dispute between the US and the PRC, and the impact of the contemplated exit of the United Kingdom from the European Union may further intensified uncertainties in the global economy. Any of these factors could depress economic activities and will be expected to affect the Group's business and operating performance in the year 2019.

Following the successful Listing, the Group intends to explore new opportunities, committed to maintaining long-standing customer relationships and constantly seeking new customers. While maximizing the rate of return, the Group strives to operate with a sound credit-management process and ensure adequate controls over credit risk. The Group is confident that our integrated business model and diversification strategies will keep us well positioned to capitalize on the emerging opportunities. The Group will continue to accelerate the business development and expansion, to further advance the next stage of growth.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 40 full-time employees (as at 31 December 2017: 38), including all executive and non-executive directors but excluding independent non-executive directors. During the year ended 31 December 2018, the total employees' cost (including directors' emoluments and retirement benefit scheme contribution) was approximately HK$14.86 million (31 December 2017: HK$15.34 million).

Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. To provide incentive to the eligible participants (including directors and employees), the remuneration package has been extended to include share options under the share option scheme. Particulars of the said share option scheme are set out in the section headed "Share Option Scheme" in the "Report of the Directors" of this report.

The Group encourages and subsidizes employees at different job grades to enroll and/or participate in development or training courses in support of their career and professional development. The Group also provides in-house training courses on a monthly basis for the personal development of the employees.

The Group has adopted a scheme under Occupational Retirement Schemes Ordinance for eligible employees, and also a mandatory provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Kou Kuen ("Ms. Kou"), aged 60, was appointed as a director of the Company (the "**Director**") on 22 August 2016 and was designated as an executive Director and chief executive officer on 11 September 2017. She is a member of the Remuneration Committee. Ms. Kou is one of the Company's controlling shareholders. Ms. Kou is responsible for the overall management and business development and strategic planning of the Group. She is a director of Victory Securities Holding Ltd. ("**Victory Securities (BVI)**") and Victory Securities Company Limited ("**Victory Securities (HK)**"). Ms. Kou is the spouse of Mr. Chan Ying Kit (non-executive Director and Chairman of the Company) and the mother of Mr. Chan Pui Chuen (executive Director and joint company secretary of the Company).

Ms. Kou has over 26 years of experience in the securities industry. In 1979, she joined Victory Investment Company as a clerk. From September 1979 to August 1982, she was mainly responsible for back office operation of Victory Investment Company. From August 1986 to March 1988, she worked in Hong Kong office of Canadian Communications International as executive assistant/marketing manager. From April 1988 to July 1990, she worked in Translanguage Centre Limited as an assistant marketing manager and was later promoted to marketing manager. She also became the marketing manager of the subsidiary of Translanguage Centre Limited, namely, Translanguage-IRH Limited, from October 1988 to July 1990. Subsequently in 1990, she re-joined Victory Investment Company as a manager and undertook managerial and supervisory roles. She was responsible for overall administration and operation of Victory Investment Company. From January 2003 to February 2015, she was the general manager of Victory Securities (HK). From March 2015 to December 2016, she was the managing director of Victory Securities (HK). Since January 2017, she has been the chief executive officer and a director of Victory Securities (HK).

Ms. Kou obtained a bachelor's degree in administrative studies from York University in Toronto, Canada in June 1986. She is currently licensed by the SFC to act as a Responsible Officer to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management, under the condition that she shall not provide a service of managing a portfolio of futures contracts for another person) regulated activities under the SFO. Ms. Kou currently is director and vice-chairman of the Hong Kong Securities Association for the term 2017 to 2019.

Mr. Chiu Che Leung Stephen ("Mr. Chiu"), aged 69, was appointed as a Director on 22 August 2016 and was designated as an executive Director and chief operating officer on 11 September 2017. Mr. Chiu is one of Company's controlling shareholders. He is responsible for overall supervision of operations of the Group. He is a director of Victory Securities (BVI) and Victory Securities (HK).

Mr. Chiu has over 43 years of experience in the securities industry. He was a business and office manager in Shung Lee Stock Investment Company from April 1973 to August 1984. He was the sole proprietor of Ten & Ten Securities Company from 1988 to 2005. Mr. Chiu joined Victory Securities (HK) in 2004 when it was merged with Ten & Ten Securities Company. From December 2004 to December 2005, he was the branch manager of Victory Security (HK). From January 2006 to December 2015, he was the compliance officer and deputy general manager of Victory Security (HK). From January 2016 to August 2017, he was the managing director of Victory Security (HK). Since September 2017, he has been the chief operating officer of Victory Security (HK).

Mr. Chiu completed his secondary school education in 1967. He is currently licensed by the SFC to act as a Responsible Officer to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management, under the condition that he shall not provide a service of managing a portfolio of futures contracts for another person) regulated activities under the SFO.

Mr. Chan Pui Chuen ("Mr. Chan Pui Chuen"), aged 29, was appointed as a Director on 5 September 2017 and was designated as an executive Director on 11 September 2017. He was appointed as the one of the Company's joint company secretaries on 10 October 2017. He is a member of the Nomination Committee. He is one of the Company's controlling shareholders. He is responsible for overseeing compliance, internal control and risk management of the Group. He is a director of Victory (Nominees) Limited and Victory VC Asset Management Company Limited ("**VC Asset Management**"). Mr. Chan Pui Chuen is the son of Ms. Kou Kuen (executive Director and chief executive officer of the Company) and Mr. Chan Ying Kit (non-executive Director and Chairman of the Company).

Mr. Chan Pui Chuen was approved by the SFC to be the Licensed Representative of Victory Securities (HK) for Type 1 regulated activity on 24 July 2013 and he has been employed by Victory Securities (HK) on a full-time basis since then. He was promoted as a senior compliance manager of Victory Securities (HK) from March 2015.

Mr. Chan Pui Chuen obtained a Master of Science degree in Finance from the Chinese University of Hong Kong in October 2018 and a bachelor of arts degree in management studies from the University of Nottingham, the United Kingdom in July 2012. He is currently licensed by the SFC to act as a Licensed Representative to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO.

Ms. Yao Yunzhu ("Ms. Yao"), aged 42, joined the Group as marketing manager in August 2018, was appointed as an executive Director on 26 October 2018 and immediately resigned from the post of marketing manager in order to focus on her duties as an executive Director. Ms. Yao is responsible for business development and strategic planning of our Group.

Ms. Yao is an independent non-executive director of Pizu Group Holdings Limited (Stock Code: 8053) from June 2017 till present. Prior to joining the Company, Ms. Yao was a senior manager of administration department in China Huarong International Holdings Limited. Before that, Ms. Yao had served as policy and market research head in strategic planning and investment management department of Industrial and Commercial Bank of China (Asia) Limited and a project manager of strategic and development department of COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited). Ms. Yao has extensive experience in strategy, negotiation, business development and team management. Ms. Yao holds a Bachelor of Laws degree from Peking University and a degree of Master of Social Sciences from City University of Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Chan Ying Kit ("Mr. Chan"), aged 63, was appointed as a Director on 22 August 2016 and was designated as the chairman of the Board and a non-executive Director on 11 September 2017. He is a member of the Audit Committee. Mr. Chan is one of the Company's controlling shareholders. As a chairman of the Board, he is responsible for strategic planning of the Group. He is also a director of Victory Securities (BVI), Victory Securities (HK) and VC Asset Management. Mr. Chan is the spouse of Ms. Kou Kuen (executive Director and chief executive officer of the Company) and the father of Mr. Chan Pui Chuen (executive Director and joint company secretary of the Company).

Mr. Chan has over 38 years of experience in the construction and engineering industry. From May 1978 to August 1980, he worked in Hsin Chong Construction Company Limited as a laboratory assistant. From December 1980 to February 1983, he worked in Wah Hin Company Limited as a site supervisor. From March 1983 to February 1985, he worked in Maunsell Consultants Asia as a senior supervisor. From February 1985 to March 1988, he worked in Nishimatsu Construction Company Limited as an inspector of works. From April 1988 to April 1993, he worked in Hong Kong Electric Company Limited as an engineer. From April 1994 to August 2006, he worked in i-CABLE Network Limited as a project manager and department head of special projects department. Since May 2007, he has worked in Ecobuild Engineering and Technology Company Limited as a director.

Mr. Chan obtained a certificate for housing superintendents from the Haking Wong Technical Institute (currently known as The Hong Kong Institute of Vocational Education (Haking Wong)) in May 1979. He also obtained a certificate in building studies from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1982. He completed the course leading to associate examination of the Chartered Institute of Building and the course leading to final part I examination of the Chartered Institute of Building both from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in June 1983 and June 1984, respectively. He obtained an associateship in building technology and management from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in October 1986. He also obtained a master of business administration from The University of Hull, United Kingdom in February 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Kwong Kin ("Mr. Leung"), J.P., aged 72, was appointed as an independent non-executive Director on 14 June 2018. Mr. Leung is the chairman of the Audit Committee and Remuneration Committee as well as a member of the Nomination Committee of the Company. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Leung has over 46 years of experience in accounting. From 1967 to 1982, he worked in Coopers and Lybrands (currently known as PricewaterhouseCoopers) and his last position was audit manager. From 1982 to 1985, he worked in his company, Golden Melody Secretaries Limited, as an executive director. From 1985 to 1992, he worked in John Wu & Co CPA first as a principal and then as a partner when he became a Certified Public Accountant in October 1991. From October 1991 to May 1993 he worked in K. K. Leung & Co CPA as a sole proprietor. From June 1993 to January 2000, he worked in Wong Lam Leung & Kwok CPA as a partner. From January 2000 to December 2013, he worked in Wong Lam Leung & Kwok C.P.A. Limited as a senior practicing director. Since December 2013, he worked in his company, Alliance Investment and Services Limited, as a director and general manager to present.

From January 2000, Mr. Leung has served as an independent non-executive director of E. Bon Holdings Limited (Stock Code: 599), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") which is principally engaged in the importing, wholesale and installation of architectural builders hardware, bathroom, kitchen collections and furniture and the provision of construction service for property developers in Hong Kong and the PRC.

Mr. Leung obtained a master's degree of business administration from the University of East Asia, Macau (currently known as the University of Macau) in October 1986. He has been a Certified Public Accountant since October 1991. He was admitted as a fellow of the Hong Kong Institute of Certified Public Accountants in April 1995, a fellow of the Association of Chartered Certified Accountants in February 1997, a fellow of The Institute of Chartered Accountants in England & Wales in October 2015 and a fellow of the Society of Chinese Accountants & Auditors in December 2015. He was also admitted as an associate of The Taxation Institute of Hong Kong in November 1992 and a certified tax adviser of The Taxation Institute of Hong Kong in January 2017.

Mr. Liu Chun Ning Wilfred ("Mr. Liu"), aged 57, was appointed as an independent non-executive Director on 14 June 2018. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Liu has over 30 years of experience in the securities industry. From September 1987 to March 1989, he worked in Prudential – Bache Securities (Hong Kong) Limited as a financial Broker. From April 1989 to June 1991, he worked in the Stock Exchange as a planning and development officer and then as a compliance supervisor. From July 1991 to October 1992, he worked in IBJ Asia Limited as a bond trader. From December 1993 to May 1998, he worked in Chong Hing Bank Limited as manager of the securities department and then as a senior manager of the securities department. From May 1998 to February 2014, he worked as an executive director of Chong Hing Bank Limited (Stock Code: 1111), a company listed on the Main Board of the Stock Exchange which is principally engaged in provision of banking and related financial services. He was in charge of the securities business division of this company.

From March 1997 to May 2017, Mr. Liu served as a non-executive director of Liu Chong Hing Investment Limited (Stock Code: 194), a company listed on the Main Board of the Stock Exchange which is principally engaged in property investment, property development, property management, treasury investment, trading and manufacturing and hotel operation.

From August 2001 till present, Mr. Liu serves as an independent non-executive director of S.A.S. Holdings Limited (Stock Code: 1184), a company listed on the Main Board of the Stock Exchange which is principally engaged in the distribution of electronic components and semiconductors products; properties investments and distribution of sports products. He is primarily responsible for supervising and providing independent advice to the board of this company.

From May 2002 to September 2014, Mr. Liu served as an independent non-executive director of Get Nice Holdings Limited (Stock Code: 64), a company listed on the Main Board of the Stock Exchange which is principally engaged in the money lending; property development and holding and investment in financial instruments; real estate brokerage and provision of financial services.

Mr. Liu obtained a bachelor of arts degree in economics from the University of Newcastle Upon Tyne, United Kingdom in July 1987.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Yan Ka Shing ("Dr. Yan"), aged 33, was appointed as an independent non-executive Director on 14 June 2018. Dr. Yan is the chairman of the Nomination Committee as well as a member of the Audit Committee and Remuneration Committee of the Company. He is primarily responsible for providing independent advice to the Board.

Dr. Yan has around 6 years of experience in the medical industry. Dr. Yan has been employed by the Hospital Authority since July 2011. He completed his housemanship in the Hospital Authority from July 2011 to June 2012. He then became a registered doctor and has served as a medical officer in various hospitals managed by Hospital Authority in Hong Kong, since July 2012.

Dr. Yan obtained a bachelor of medicine and bachelor of surgery degrees from the University of Hong Kong in November 2011. He also obtained Membership of the Royal Colleges of Physicians of the United Kingdom (MRCP(UK)), a postgraduate medical diploma in the United Kingdom, in March 2016. He was then admitted as a member of the Hong Kong College of Physicians in January 2017. Moreover, he has been a member of the Hong Kong Medical Association since July 2011.

SENIOR MANAGEMENT

The executive Directors, Ms. Kou Kuen and Mr. Chiu Che Leung Stephen are also members of the senior management. Please refer to their biographies set out above.

Mr. Zhou Lele, aged 35, is the deputy chief operating officer of the Group. He joined the Group in June 2012 and is primarily responsible for overall business development and strategic planning of global market for the Group. He has over 5 years of experience in the securities industry. Prior to joining the Group, he was the assistant to the chairman of the board of Tianjin Teda Landun Group from June 2008 to May 2010. He obtained a bachelor of science in applied chemistry from Xiangtan University (湘潭大學), Hu'nan Province, the PRC in June 2006 and a master of business administration degree (finance) from the Chinese University of Hong Kong in October 2011. He is currently licensed by the SFC to act as a Licensed Representative to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

Mr. Kong Yan Yue ("**Mr. Kong**"), was appointed as the chief financial officer of the Group since 18 March 2019. Mr. Kong joined the Group in December 2018. He has 15 years of experience in auditing, accounting, corporate governance and corporate finance. Prior to joining the Group, he worked in the audit and assurance department of an international audit firm, and later he served key managerial roles in the finance department in several companies listed in the Stock Exchange of Hong Kong Limited. Mr. Kong holds a degree in accountancy and a master degree in corporate governance from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of certified public accountants and an associate member of the Hong Kong Institute of Chartered Secretaries.

JOINT COMPANY SECRETARIES

Mr. Wong Wai Chiu ("Mr. Wong") was appointed as one of the joint company secretaries on 30 May 2018. He is an associate director of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited) and has over 20 years of experience in the corporate services field. He holds a Postgraduate Diploma in English and Hong Kong Law (Common Professional Examination) from The Manchester Metropolitan University by distance learning and a Master of Corporate Governance from The Hong Kong Polytechnic University. He is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. Chan Pui Chuen was appointed as one of the joint company secretaries on 10 October 2017. For details of his background, please refer to the paragraphs headed "Executive Directors" above.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the rules governing the listing of securities on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") ("**GEM Listing Rules**"), the board of directors of the Company (the "**Board**") is pleased to present this corporate governance report for the period from the listing date on 16 July 2018 (the "**Listing Date**") to 31 December 2018. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance practices within the Group and complying with regulatory requirements, to securing and inspiring confidence of shareholders of the Company (the "**Shareholders**") as well as potential investors.

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 period from the Listing Date to 31 December 2018, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

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 period from the Listing Date to 31 December 2018.

BOARD OF DIRECTORS

Composition of the Board

The Board is currently comprised of eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors
Ms. Kou Kuen *(Chief Executive Officer)*
Mr. Chiu Che Leung, Stephen
Mr. Chan Pui Chuen
Ms. Yao Yunzhu *(appointed on 26 October 2018)*

Non-Executive Director
Mr. Chan Ying Kit *(Chairman)*

Independent Non-Executive Directors
Mr. Leung Kwong Kin
Mr. Liu Chun Ning Wilfred
Dr. Yan Ka Shing

The biographical details of each of the Directors of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

For the period from the Listing Date to 31 December 2018, the Company has held five regular Board meetings. The meetings were conducted on a live/tele-conference basis and the attendance of Directors is as follows:

Name	Board meetings attended/ eligible to attend
Executive Directors	
Ms. Kou Kuen *(Chief Executive Officer)*	5/5
Mr. Chiu Che Leung, Stephen	5/5
Mr. Chan Pui Chuen	5/5
Ms. Yao Yunzhu[1]	2/2
Non-Executive Director	
Mr. Chan Ying Kit *(Chairman)*	5/5
Independent Non-Executive Directors	
Mr. Leung Kwong Kin	5/5
Mr. Liu Chun Ning Wilfred	4/5
Dr. Yan Ka Shing	5/5

Notes:

(1) Appointed on 26 October 2018.

The Board

The Board is responsible for the leadership and control of the Company and for promoting the success of the Group by monitoring the Group's affairs. The Board has delegated authority and responsibility to the Executive Directors and senior management for the day-to-day operations of the Group who regularly review the financial results and performance of the Group and make financial and operational decisions for the implementation of strategies and plans approved by the Board. Key matters will remain as the responsibility of the Board whose approval will be required. In addition, the Board has established three standing Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee, and delegated responsibilities to various management committees. Details of those committees are set out in this corporate governance report.

Independent non-executive Directors

In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board, and with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise.

The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and believes that their independence is in compliance with the Rule 5.09 of the GEM Listing Rules.

Non-executive Directors

CG Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term subject to re-election. The non-executive Directors (including independent non-executive Directors) have served a significant role in the Board by bringing independent judgment on the performance, development and risk management of the Group. A non-executive Director of the Company is appointed for a specific term of 3 years subject to the retirement and re-election provisions according to the provisions of the amended and restated Articles of Association of the Company.

Board Meetings

The Board meets regularly at least 4 times each year at quarterly intervals and discusses the Group's business development, operations and financial performance. Notice of at least 14 days is given to all Directors for a regular Board meeting so as to give all Directors an opportunity to attend. For all other board meetings, reasonable notice is generally given. Agenda and meeting materials for each meeting are normally circulated to all Directors at least 3 days before each Board meeting in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting.

All Directors have full and timely access to all information and to the advice and services of the company secretary and senior management who are responsible for ensuring the compliance of the Company with the GEM Listing Rules and advising the Board on compliance matters. The Directors may, where appropriate, be provided with access to external professional advice in carrying out their obligations as Directors of the Company. Each Director of the Company is required to make disclosure of his/her interests or potential conflict of interest, if any, in any proposed transactions or issued discussed by the Directors at the Board and Board Committees' meetings. Any Director shall not vote on any resolution of the Board and Board Committees approving any contract or arrangement or any other proposal in which he/she (or his/her associate) is materially interested nor shall he/she be counted in the quorum present at the meeting.

The Directors use their best endeavor to ensure that minutes of all Board meetings and committees meeting are properly kept by the company secretary. All draft minutes of meetings of the Board and the respective Board Committees are circulated to all Directors and Board Committee members for comments within a reasonable time before submission to the chairmen of the meetings for approval and the final versions are open for inspection by the Directors.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors of the Company should keep abreast of their collective responsibilities. Each newly appointed Director is given formal, comprehensive and customized induction training at the time of first appointment to ensure their proper understanding of the Group's business and operations. The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her roles, functions, duties and responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. In addition, the Company also provided detailed director's responsibilities and obligations statement pursuant to the GEM Listing Rules for the Director to review and study.

For the period from the Listing Date to 31 December 2018, all Directors, namely, Ms. Kou Kuen, Mr. Chiu Che Leung Stephen, Mr. Chan Pui Chuen, Ms. Yao Yunzhu, Mr. Chan Ying Kit, Mr. Leung Kwong Kin, Mr. Liu Chun Ning Wilfred and Dr. Yan Ka Shing have participated in the relevant training courses and seminars or have perused relevant reading materials. The Directors had provided the relevant training records to the Company. Participation of continuing training courses of Directors is as follows:

	Reading materials[1]	Attending courses/ seminars[2]
Executive Directors		
Ms. Kou Kuen	✓	✓
Mr. Chiu Che Leung, Stephen	✓	✓
Mr. Chan Pui Chuen	✓	✓
Ms. Yao Yunzhu	✓	
Non-Executive Director		
Mr. Chan Ying Kit	✓	
Independent Non-Executive Directors		
Mr. Leung Kwong Kin	✓	✓
Mr. Liu Chun Ning Wilfred	✓	✓
Dr. Yan Ka Shing	✓	

Notes:

(1) Materials relating to directors' duties and functions.

(2) Courses/seminars on industry development, business ethics, regulatory updates and tax compliance.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Pursuant to code provision A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual to ensure a balance of power and authority. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. The Chairman of the Board is Mr. Chan Ying Kit, who is responsible for the formulation, management and planning of the Group's overall strategy. The CEO is Ms. Kou Kuen, who is responsible for the business development, operation and day-to-day management of the Group.

BOARD COMMITTEES

To facilitate the work of the Board, the Board has delegated responsibilities to three committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee in order to maintain high standard of corporate governance of the Company.

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 main responsibilities of the Audit Committee of the Company include, but not limited to:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors;
- to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors;
- to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them;
- to oversee the Company's financial reporting system, risk management and internal control systems;
- to oversee the Company's continuing connected transactions.

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. Leung Kwong Kin (chairman of the Committee), Mr. Chan Ying Kit and Dr. Yan Ka Shing with written terms of reference in accordance with code provision C.3.3 and C.3.7 of CG Code.

For the period from the Listing Date to 31 December 2018, the Audit Committee held 2 meetings by means of live/teleconference. The Audit Committee has reviewed the interim report for the six months ended 30 June 2018 and the third quarterly report for the nine months ended 30 September 2018, during the year ended 31 December 2018.

The members and attendance of the Audit Committee for the period from Listing Date to 31 December 2018 are as follows:

	No. of meetings of the Audit Committee attended/ eligible to attend
Mr. Leung Kwong Kin *(Chairman)*	2/2
Mr. Chan Ying Kit	2/2
Dr. Yan Ka Shing	2/2

REMUNERATION COMMITTEE

A Remuneration Committee of the Board was established on 14 June 2018 and its written terms of reference were adopted in accordance with code provision B.1.2 of the CG Code.

The main responsibilities of the Remuneration Committee of the Company include, but not limited to:

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, this should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review performance-based remuneration proposals of individual Directors and senior management.

The Remuneration Committee, with the majority of its members being independent non-executive Directors, consists of two independent non-executive Directors and one executive Director, namely Mr. Leung Kwong Kin (chairman of the Committee), Ms. Kou Kuen and Dr. Yan Ka Shing.

For the period from the Listing Date to 31 December 2018, the Remuneration Committee held 1 meeting by means of live/teleconference. The members and attendance of the Remuneration Committee for the period from the Listing Date to 31 December 2018 are as follows:

	No. of meetings of the Remuneration Committee attended/ eligible to attend
Mr. Leung Kwong Kin *(Chairman)*	1/1
Ms. Kou Kuen	1/1
Dr. Yan Ka Shing	1/1

A summary of the work performed by the Remuneration Committee for the period from the Listing Date to 31 December 2018 is set out as follows:

i. reviewed the Directors' fees and made recommendation to the Board;

ii. reviewed the current remuneration structure/package of the Executive Directors and senior management and recommended the Board to approve their specific packages; and

iii. made recommendation to the Board to adopt a revised terms of reference of the Remuneration Committee.

NOMINATION COMMITTEE

A Nomination Committee of the Board was established on 14 June 2018 with written terms of reference in accordance with code provision A.5.2 of the CG Code.

The Nomination Committee, with the majority of its members being independent non-executive Directors, consists of two independent non-executive Directors and one executive Director, namely Dr. Yan Ka Shing (chairman of the Committee), Mr. Chan Pui Chuen and Mr. Leung Kwong Kin.

For the period from the Listing Date to 31 December 2018, the Nomination Committee held 1 meeting by means of live/teleconference to recommend the appointment of an additional board member. The members and attendance of the Nomination Committee for the period from the Listing Date to 31 December 2018 are as follows:

Name	No. of meetings of the Nomination Committee attended/ eligible to attend
Dr. Yan Ka Shing *(Chairman)*	1/1
Mr. Chan Pui Chuen	1/1
Mr. Leung Kwong Kin	1/1

Board Diversity Policy

The Company recognizes the importance of diversity at the Board in contributing to the quality of performance of the Company. The Board has adopted a Board Diversity Policy. In designing the Board composition, the Company takes into account a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialization, experience, skills, knowledge and other qualifications. Appointment of Directors is solely based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

The main responsibilities of the Nomination Committee of the Company include, but not limited to:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become members of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive Directors;
- to make recommendations to the Board regarding any proposed appointment and re-appointment.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy which take into account professional experience and qualifications, gender, age, cultural and educational background, working experiences, professional ethics and any other factors that the Board might consider relevant and applicable from time to time towards achieving board diversity. Equality of opportunity in all aspects of the Company's business is much emphasized by the Company and Board appointments will continue to be made on a merit basis.

In determining the independence of Directors, the Board follows the requirements as set out in the GEM Listing Rules.

EMOLUMENTS TO DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Code Provision B.1.5, the emoluments paid to the Directors and senior management (exclude commission paid) whose details are disclosed in the section headed "Biographical Details of Directors and Senior Management" for the year ended 31 December 2018 by band are as follows:

Remuneration Band	Number of individuals
Nil to HK$1,000,000	10

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for reviewing the Company's compliance with the Code and its disclosure requirements in the Corporate Governance Report which are included to develop and review the Company policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company.

The Board has reviewed the Group's policies and practices on corporate governance practices and compliance with legal and regulatory requirements including compliance with the Code for the period from the Listing Date to 31 December 2018.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities to prepare the Company's consolidated financial statements for the financial year ended 31 December 2018 which reflect a true and fair view of the state of affairs of the Company and in presenting the quarterly, interim and annual financial statements, and announcements to the Shareholders, the Directors aim at presenting a balanced, cleared and comprehensive assessment of the Company's performance, its current position and future prospects. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

Summary

The Board acknowledges its responsibilities for the establishment and maintenance of adequate and effective risk management and internal control systems to safeguard the Group's assets against unauthorized use or disposition, and to protect the interests of the Shareholders. Such systems are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is the highest level of our risk management and internal control structure. It is ultimately responsible for establishing an effective risk management environment. Its responsibilities include:

- developing the overall risk management targets, risk management policies and internal control systems;
- optimizing the governance structure and authorization hierarchy;
- guiding and defining the limits for specific risk management work; and
- authorizing responsibilities to other departments.

The Board has periodically reviewed the key risk areas and appropriate risk mitigation strategies. Overall, the Board considers the risk management and internal control systems of the Group are effective and adequate. The Board will continue to assess the effectiveness and adequacy of risk management and internal control systems by considering reviews performed by the audit committee and executive management.

Internal Audit Function

The Group's internal audit function is performed by the Internal Audit Department which has unrestricted access to review all aspects of the Group's business activities and is responsible for quarterly monitoring and reviews on internal and operational controls. It directly reports to the Audit Committee and presents a report to express an opinion on the internal control environment of the Group to the Audit Committee annually. By taking the risk-based approach, the internal audit team develops annual audit work plan which covers major business activities, operations and processes of the Group. A group-wide internal control self-assessment is also conducted by departments yearly to self-assess their risks and internal controls. Moreover, ad hoc reviews will be conducted on specific areas of concern identified by the Audit Committee and senior management, if any.

Handling and Dissemination of Inside Information

The Board assesses the likely impact of any unexpected and significant event and decides whether the relevant information is considered inside information. The Board handles and disseminates inside information to comply with the requisite inside information disclosure requirements as specified under the Securities and Futures Ordinance and the Listing Rules.

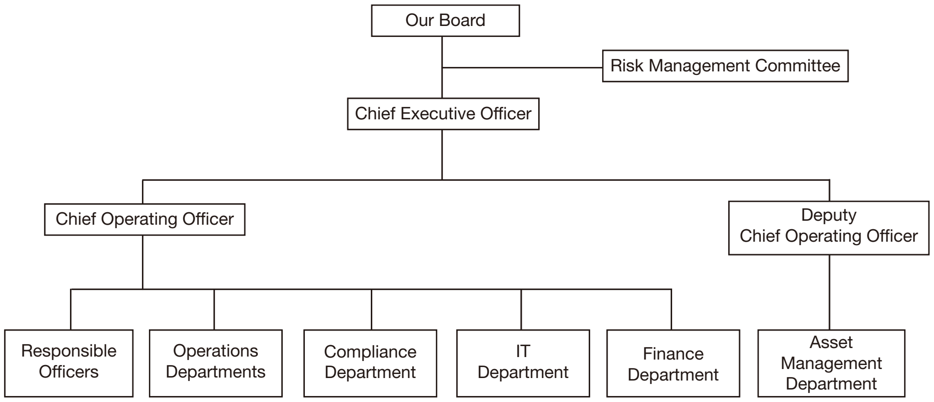
Risk Management and Internal Control Process

Risk taking is a necessary and accepted part of the Company's business. The Board has taken sufficient steps to identify, assess, update and monitor the risks associated with its financial, operational and compliance activities. The Group's principal businesses are exposed to two major types of business risks, namely financial and non-financial risks. Financial risks include liquidity risks, credit risks, market risks and operational risks, whereas non-financial risks mainly cover regulatory and legal risks.

As part of the Company initiatives to manage these risks, the Board has in place risk management structure and implemented an operation manual, which contains credit policies, operating procedures and other internal control measures. A summary of the risk management structure and key internal control policies and procedures is set out below.

Risk management structure

The Board has established a multi-level risk management structure. Set out below is the organizational structure of the risk management:



Risk Management Committee

A Risk Management Committee was established in 2017. The main responsibilities of the Risk Management Committee of the Company include, but not limited to:

- to oversee general risk management and internal control systems for the Company's principal business operations;
- to review and modify internal control policies of the Company;
- to formulate contingency plans and monitor the implementation thereof;
- to ensure all risks associated with our business activities are identified and controlled.

The Risk Management Committee of the Company currently consists of two executive Directors, namely Mr. Chiu Che Leung, Stephen (chairman of the Committee) and Mr. Chan Pui Chuen, the deputy chief operating officer, namely, Mr. Zhou Lele, the chief financial officer, namely, Mr. Kong Yan Yue, and the IT manager, namely, Mr. Wong Man Fai.

Responsible Officers

Responsible Officers have a supervisory and monitoring role in relation to their respective business units which carry out different types of regulated activities. They are responsible for managing and overseeing the daily operations of their respective business units and implementing risk management measures to ensure compliance with regulations and guidelines of the Securities and Futures Commission of Hong Kong (the "**SFC**"). They work closely with the compliance department and take appropriate remedial actions to rectify any irregularity.

Operations departments

Operations departments (front office and back office) perform their risk management function by ensuring that client money is deposited and held into the segregated accounts with authorised financial institutions in accordance with the Securities and Futures (Client Money) Rules and the Securities and Futures (Client Securities) Rules, and that there is no misappropriation of client money and securities, thereby managing regulatory and legal risks of the Group in this regard.

Compliance department

The compliance function of a compliance department consists of setting internal control standards and regulatory compliance of the Group. On internal control, the compliance department sets procedures such as staff dealing policy and reviews control areas such as Chinese wall, segregation of businesses, conflicts of interests, policies on accounts opening and dealing practices. The compliance department assists the relevant business units in periodically reviewing the internal policies in order to cope with the latest developments of the relevant laws and regulations. Furthermore, the compliance department provides legal support to the Group's business functions. On regulatory compliance, the compliance department constantly monitors the requirements applicable to the Company's business and the changes in licensing as well as regulatory requirements of the SFC.

IT department

An IT department performs its IT risk management functions by implementing policies and procedures to ensure the integrity, security, availability, reliability and thoroughness of all information (including documentation and electronically stored data) relevant to the Group's business operations to ensure compliance with the various circulars, guidelines and codes on IT management issued by the SFC.

Finance department

Finance department is responsible for monitoring the Group's compliance with the Securities and Futures (Financial Resources) Rules (the "**FRR**") on an ongoing basis, such as computing liquid capital estimation on a daily basis to ensure that timely information is conveyed to the management and submitting an FRR report to the SFC on a monthly basis. The finance department also monitors the daily reconciliation of client trust bank accounts and the Company's bank account for funding and settlement purposes to ensure compliance with the Securities and Futures (Client Money) Rules, conducts review regularly and takes remedial actions as soon as any discrepancy is noted.

AUDITOR'S STATEMENT AND REMUNERATION

A statement by the Group' Auditors on their reporting obligations in respect of the Group's financial statements for the year ended 31 December 2018 is set out in the "Independent Auditor's Report" section of this annual report.

For the year ended 31 December 2018, the amount of fees in respect of audit and non-audit services paid/ payable to the auditor of the Group, Ernst & Young, Certified Public Accountants, was set out below:

	2018 HK$
Audit services	
– Annual audit	480,000
– Listing	871,000
Non-audit services	
– Review and taxation	233,500
	1,584,500

JOINT COMPANY SECRETARIES

Mr. Wong Wai Chiu (FCIS, FCS), one of the joint company secretaries of the Company, is an external service provider and was appointed by the Board. He is a fellow member of The Hong Kong Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chan Pui Chuen, another joint company secretaries of the Company, is an executive Director of the Company. They report to the Chairman and CEO and assist the Board to function effectively. All the Directors could have access to the advice and services of the company secretaries at any time in relation to their duties and operation of the Board. During the period from Listing Date to 31 December 2018, the joint company secretaries complied with the qualification and training requirements under the GEM Listing Rules.

Mr. Chan Pui Chuen, the executive Director, is the primary contact person of the joint company secretary, Mr. Wong Wai Chiu.

SHAREHOLDERS' RIGHTS

Procedures for the Shareholders to convene an extraordinary general meeting

Pursuant to article 64 of the amended and restated Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting (the "**EGM**") to be called by the Board for the transaction of any business specified in such requisition. The written requisition shall be deposited to the Company's office at Room 1101-3, 11th Floor, Yardley Commercial Building, 3 Connaught Road West, Hong Kong.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for the Shareholders to put their enquiries to the board

The Company endeavor to maintain two-way communications with the Shareholders through various channels. It has adopted a policy of disclosing clear, adequate and relevant information to Shareholders in a timely manner through various channels. The Shareholders are encouraged to send their enquiries about the Group to the Company, or for putting forward any proposals at a Shareholders' meeting:

Address:	1101-3, 11th Floor, Yardley Commercial Building, 3 Connaught Road West, Hong Kong.
Telephone no.:	(852) 2525 2437
Fax no.:	(852) 2810 7616
E-mail:	cs@victorysec.com.hk
Attention:	The Board of Directors/The Company Secretary

All the enquiries are dealt with in a timely manner. The Shareholders are also encouraged to attend annual general meeting (the "AGM") and EGM of the Company and to put their enquiries to the Board directly. Notice of the AGM is sent to the Shareholders at least 21 days before holding of the AGM. The Chairman of the Board, chairmen of each of the Remuneration Committee, Nomination Committee and Audit Committee, the CEO and the senior management will attend the aforesaid meetings and respond proactively to the Shareholders' enquiries.

Procedures for putting forward proposals by Shareholders at Shareholders' meetings

Shareholders may include a resolution to be considered at an EGM. The requirements and procedures are set out above in the paragraph headed "Procedures for the Shareholders to convene an extraordinary general meeting".

INVESTOR RELATIONS

The Company believes that maintaining a continuing dialogue with Shareholders and other stakeholders is a key to enhance investor relations. The Company provides information in relation to the Group to the Shareholders in a timely manner through a number of formal channels, including quarterly, interim and annual reports, announcements and circulars. All published information is uploaded to the Group's website at www.victorysec.com.hk.

The Shareholders' meeting provides a useful channel for Shareholders to communicate directly with the Board which the directors are available to answer questions related to the Company's affairs. In addition, the, Shareholders may also submit enquiries to management and make recommendations to the Board or senior management by sending an e-mail to investor@victorysec.com.hk, by facsimile (fax: +852 2810 7616) or by telephone (tel: +852 2154 1192). Moreover, the Company will continue to improve the communication with investors and to provide them more opportunities to understand the business of the Company.

The procedures to elect directors were uploaded to the Company's website (https://www.victorysec.com.hk/tw/investor-relations/procedures-for-shareholders-to-propose-a-director).

CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company has been amended and restated as adopted by a special resolution passed on 14 June 2018 and effective on the Listing Date. There had been no change to the Company's memorandum and articles of association since the Listing Date to the date of this annual report.

DIVIDEND POLICY

The Company has adopted the dividend policy which set out the factors in determination of dividend payment of the Company such as the Company's financial performance, expected cash inflow and outflow, and the frequency and form of dividend payments. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

SCOPE AND REPORTING PERIOD

Sustainability has been an evolving topic in recent decade, it is becoming a key concern for stakeholders and has major influence in business management and strategy. Victory Securities (Holdings) Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") values sustainability principles and endeavour to promote environmental initiatives and corporate social responsibilities throughout corporate development.

The Environmental, Social and Governance ("**ESG**") Report is prepared to disclose and inform stakeholders the sustainability performance of the Group, within the reporting period from 1 January 2018 to 31 December 2018.

The report was prepared in accordance with requirements at the ESG Reporting set out in Appendix 20 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

ENVIRONMENTAL

Use of Resources

Electricity and Energy Usage

The Company is an investment holding company, the subsidiaries were principally engaged in the businesses of securities dealing, securities margin financing and assets management in Hong Kong.

Most of the business activities of the Group are carried out in local office in Hong Kong, therefore the major energy usage of the Group comes from electricity use by the daily operation of the office. Other energy consumption includes the consumption of unleaded petrol by the two vehicles owned by the Group.

The office consumed 57,293.00 kWh of electricity during the reporting period. The major energy consuming equipment includes lighting, air-conditioning, computers, copying machine and some small power equipments. The Group owns two vehicles for daily commute for business purpose. A total of 1,604.03 litres of unleaded petrol was used by the vehicles during the reporting period.

Emission Sources

The Greenhouse Gas ("**GHG**") emissions by the Group are mainly produced from three types of activities, including direct emissions of Carbon Dioxide ("**CO_2**"), Methane ("**CH_4**") and Nitrous Oxide ("**N_2O**") from company-owned vehicles, indirect emissions from electricity consumed by the company's office and other indirect emissions from business air travel for company staff.

Vehicles owned by the Group

The vehicles owned by the Group consumed total of 1,604.03 litres of unleaded petrol during the reporting period. The consumption of unleaded petrol has released 4.34 tonnes CO_2 equivalent of CO_2, CH_4 and N_2O.

Electricity Consumption

The office of the Group consumed 57,293.00 kWh of electricity during the reporting period. With reference to the GHG Emission Factor provided by the power company, electricity consumption of the Group has released 45.26 tonnes of CO_2 equivalent during the reporting period.

Business Air Travel of Staff

Business travels by air contributed to GHG emission. Business air travels to other cities are mostly short haul. The total number of business air travel during the reporting period is 64 times. With reference to International Civil Aviation Organization ("**ICAO**"), the GHG emission from the air trips are 8.84 tonnes CO_2 equivalent in total.

Waste Produced

Hazardous and Non-hazardous waste

No hazardous waste are produced by the Group due to the business nature. The major non-hazardous waste source is solid waste produced from daily operation of the Group's office, it mainly comprised of used paper and daily office waste.

Breakdown of Greenhouse Gas Emission

Greenhouse gases mainly comprise of CO_2, CH_4 and N_2O. The Group's operation emitted a total of 58.44 tonnes of CO_2 greenhouse gases during the reporting period. To account for direct and indirect emissions, different types of emissions are categorised into "scopes" as follows:

Scope 1 refers to direct emissions which is GHG emissions generated from mobile combustion sources. Scope 2 covers indirect emissions which refers to GHG emissions generated from purchased electricity, where Scope 3 covers other indirect emissions, for instance the GHG emissions generated from business air travel of staff.

The Greenhouse Gas emission calculation was made in accordance to the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong by Environmental Protection Department and Electrical and Mechanical Services Department (2010 Edition)".

Table on Greenhouse Gas Emission Data

Scope of Greenhouse Gas Emission	Source of Greenhouse Gas Emission	Consumption	CO2e Emission (tonnes)	Intensity (CO2e tonnes per fulltime staff)
Scope 1 Direct Emissions	Consumption of unleaded petrol by vehicles owned by the Group	1604.03 litres	4.34	0.12
Scope 2 Indirect Emissions	Electricity Consumption	57,293.00 kWh	45.26	1.22
Scope 3 Other Indirect Emissions	Business Air Travel of Employees	64 times	8.84	0.24
Total GHG Emission			58.44	1.58

Environmental Policy

The Group seeks to achieve sustainability principles by following the internal environmental policies which focuses on energy management and waste management during business operations. The Group aims to improve energy efficiency of the office premise and promote energy conservation to staff.

The Group also considers the importance of waste reduction in business operations. Waste management facilities such as recycle bins and promotional posters and signage have been adopted which bring out the values of "consume less, produce less waste, and reuse or recover value from waste".

Environmental Measures adopted

Environmental Policy

Environmental Policy is established internally to demonstrate the commitment of the Group and management in promoting values of sustainability. Staff representatives are also involved in planning and establishment of environmental policy to further promote engagement of different stakeholders.

Energy Saving and Environmentally-friendly Practice

The Group encourages adoption of energy saving and environmentally-friendly practices in daily office operation. Electricity bills are reviewed regularly to monitor energy performance of the office. To reduce energy consumption, lighting installation are replaced by higher energy efficiency alternative. Electrical appliances are switched off when not in use. The temperature setting of air-conditioners are maintained between 24-26oC following recommendations of Environmental Protection Department. To reduce waste from source, the Group encourages double-sided paper printing and switch to electronic means to reduce paper use. To reduce one-off consumption, refillable or reusable stationery are procured for the office.

SOCIAL

Employment and Labour Practices

Employment

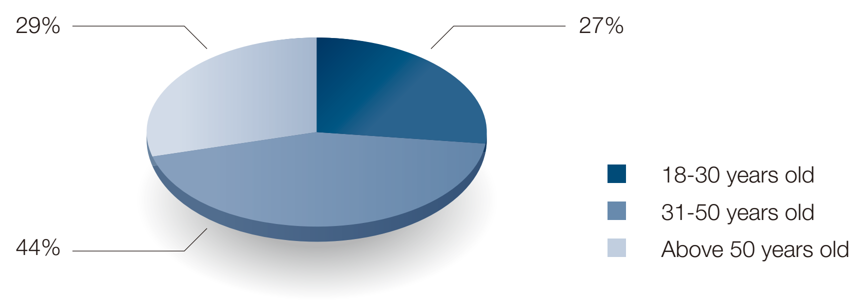
Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success and maintaining good labour relation is essential for sustainable development of our business.

The Group cares about the health and well-being of its employees. The Group has developed a staff manual that regulates recruitment, promotion, discipline, working hours etc. All employees are entitled to medical insurance, discretionary bonus, medical benefits, paid annual leaves, paid sick leaves, educational subsidies, examination subsidies and so forth. The Group not only rewards and recognises employees by competitive remuneration package and promotes career development and progression by providing opportunities for career advancement, but also provides support in different areas for its employees.

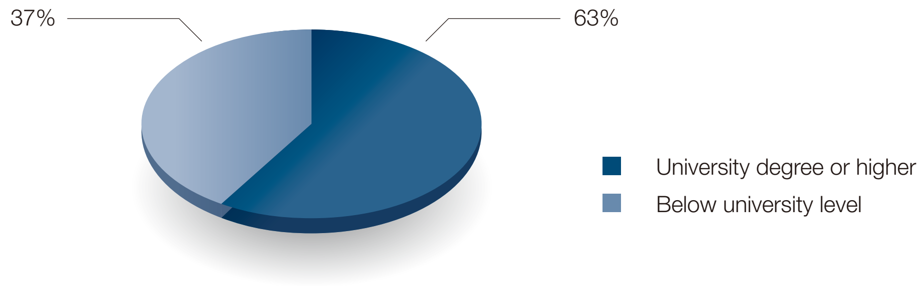
As at 31 December 2018, 41 employees (excluding independent non-executive directors) were employed in the Group.

Analysis of workforce of the Group is set out below:–

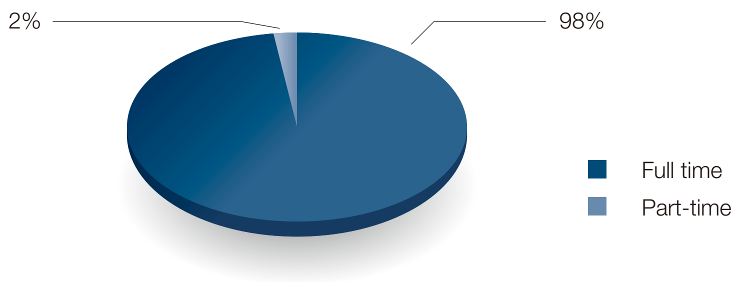
Age Distribution



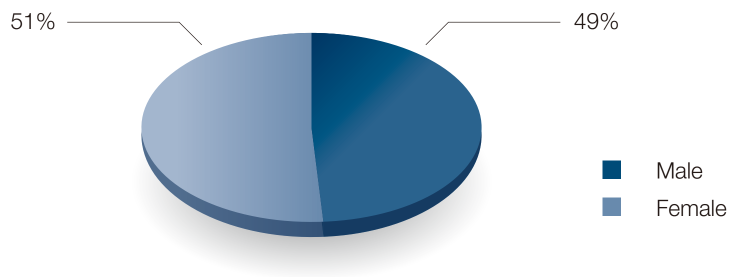
Employees' Qualifications



Employment type



Gender Distribution



The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competency that contribute to the Group's success. The Group is firmly committed to gender equality, and therefore particularly encourages female participation in the Board, and at managerial and operational levels.

The management believes that people are important assets for the Group, and remains committed to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. Staff turnover rate among managerial positions is relatively low, reflecting a high level of employee satisfaction and engagement with the Group.

During the year ended 31 December 2018, the Group is not aware of any material non-compliance with any applicable laws and regulations, including but not limited to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), the Employment Ordinance (Chapter 57 of the laws of Hong Kong), the Minimum Wages Ordinance (Chapter 608 of the laws of Hong Kong) and the Personal Data Privacy Ordinance (Chapter 486 of the laws of Hong Kong) in relation to employment matters.

Health and safety

The Group provides a safe and healthy workplace for its employees in compliance with the Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong) in Hong Kong.

The Group is committed to providing them with a safe, pleasant and healthy working environment. Efforts have been continuously made to improve their operations so that employees can stay vigilant and well-trained regarding safety issues. Regular inspections on ventilation systems and office facilities are conducted to maintain a safe and healthy workplace for its employees.

Data on occupational safety and health	During the Year
Work-related mortality	0
Work-related injuries	0
Loss of working days due to work-related injuries	0

During the year ended 31 December 2018, the Group had not experienced any non-compliance with the relevant health and safety laws and regulations.

Work-life balance

The Group supports work-life balance activities and encourages its employees to attain a healthy work-life balance with their co-workers and family. The Group actively provides a range of activities and initiatives, such as Lunar New Year party, Christmas party and lucky draws as well as regular gathering organized by the Group to enhance the health and well-being of its employees, as well as to strengthen the connections and teamwork among everyone in the Group as a whole.

Development and training

The Group acknowledges that employees are the most important assets of the Company, and believes that the quality and capability of its staff are closely related to the performance of the Group.

The Group is subject to various ordinances, rules and guidelines such as, but not limited to, the Securities and Futures Ordinance, Money Lenders Ordinance, the Personal Data (Privacy) Ordinance, the GEM Listing Rules and the Securities and Futures Commission's Guideline on Anti-Money Laundering and Counter-Terrorist Financing. It is vital to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

The Group encourages and subsidizes employees at different job grades to enroll and/or participate in development or training courses in support of their career and professional development. The Group also provides in-house training courses on a monthly basis on different areas such as corporate governance and compliance to rules and regulations applicable to listed companies, industry specific regulatory requirements, accounting and finance as well as updates on industry development.

Labour standards

The Group is committed to establishing an inclusive culture and embracing the diverse backgrounds of employees. The Group's employee handbook covers policies and guidelines related to employment practices, such as working hours, rest periods, equal opportunity, anti-discrimination and other benefits and welfare, etc.

Recruitment is conducted by the human resources department of the Group according to applicable laws and regulations such as the Employment Ordinance and the Occupation Safety and Health Ordinance in Hong Kong. The Group has established a standard and comprehensive recruitment procedure in confirming the identity of the new employee to ensure there is no child labour or forced labour. For the year ended 31 December 2018, the Group has observed no labour standards non-compliance with relevant laws and regulations.

Operating practices

Supply chain management

The Group has established and implemented a supplier management system. In making decisions for procurement, suppliers are evaluated and graded by numerous factors including historical price quotations, product quality, technologies, financial status, performance, environmental and social policies by suppliers and so forth. The Group conducts reviews and checking processes regularly, suppliers that are not able to meet the Group's standard will be taken out from its supplier's list. The results of the review and evaluation are used as a supplier management basis and are used as a benchmark for future continuation or termination of cooperation.

Product responsibility and customer services

The Group has established comprehensive internal control and compliance procedures to ensure compliance with all relevant laws and regulations by the Group's members. In relation to the financial services business, the compliance department is responsible for ensuring that business operations comply with laws and regulations.

In order to provide quality products and excellent service to its clients, the Group encourages employees to know its clients and their needs through day-to-day interactions, with the aim of providing excellent client service. The Group also provides on-the-job training and in-house training courses to its frontline employees to ensure that employees apprehend the nature and risks underlying financial services and that they are equipped with professional knowledge sufficient for them to provide the most suitable advice to their clients under all circumstances. Management will review the Group's transaction system regularly and make improvements on the transaction system, including the internal control and management system or facilities, where necessary, to avoid any occurrence of system failure.

The Group believes that maintaining a continuing dialogue with clients and other stakeholders is a key to enhance investor relations. The Group has established clear and thorough procedures in handling complaints and opinions lodged by the stakeholders. With the various communication channels, including representatives, customer hotline, e-mail and corporate web page, all disputes and complaints will be investigated and resolved in a timely manner. Complaints are dealt with independently by the compliance department, which replies accordingly to the respective customers and/or relevant law enforcement bodies.

Compliance with laws and regulations

The Group has obtained all licenses, qualifications and permits that is required of its business operations. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. The management must ensure that business is conducted in accordance with the applicable laws and regulations.

During the year ended 31 December 2018, the Group is not aware of any material non-compliance with any applicable laws and regulations on the part of the Group that would have or would likely have a material adverse effect on the Group.

Protection of data

For the protection of privacy in respect of personal data, the Group emphasises the importance of the confidentiality of personal data and the privacy of its clients and has developed its policies for the protection of personal data on the basis of the Personal Data (Privacy) Ordinance when collecting, processing and using clients' personal data. The Group adopts six data protection principles and other relevant provisions in the Personal Data (Privacy) Ordinance and reviews its policies from time to time to avoid and prevent the misuse or leakage of personal data.

Anti-corruption

The Group has implemented commercial bribery prevention management policies on anti-corruption and anti-money laundering so as to achieve the business philosophy of providing reliable services.

The Group has developed its policies against bribery and the receipt or provision of gifts. In all circumstances, employees must declare any receipt of gifts or benefits to the Group so as to eliminate illegal activities such as money laundering, bribery and fraud. Furthermore, whistle-blowing policies apply to all stakeholders including employees, shareholders, customers and suppliers. The whistle-blowing mechanisms allow stakeholders to report suspected misconduct, malpractices or fraudulent activities with confidence. Cases reported are followed up independently.

For the year ended 31 December 2018, the Group is not aware of any material non-compliance with the legislation on standards of conduct, such as the Prevention of Bribery Ordinance in Hong Kong, in relation to the Group's business operation.

COMMUNITY

Community investment

As a responsible company, the Group recognizes the importance of donating to charitable organizations, as well as encouraging employees to join volunteering activities. The Group will consider making donations to charities when the Group records after-tax profits and has sufficient funds.

In 2018, The Group donated to The Tung Wah Group of Hospitals, supporting the following missions:

- heal the sick and to relieve the distressed;
- care for the elderly and to rehabilitate the disabled;
- promote education and to nurture the youngsters; and
- raise the infant and to guide the youth.

The Group encourages its employees to participate in community activities. During the year, they joined in a volunteering activity organized by Food Angel, a food rescue and food assistance program launched in 2011 by Bo Charity Foundation, understanding the idea of "Waste Not, Hunger Not, With Love".

REPORT OF THE DIRECTORS

The Board of Directors (the "**Board**") are pleased to present this annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 (the "**Consolidated Financial Statements**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are engaged in the provision of a wide range of securities broking and related financial services to our clients including (i) securities broking and placing and underwriting services; (ii) financing services and (iii) assets management services. The activities of its principal subsidiaries are set out in note 1 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the consolidated statement of profit or loss and other comprehensive income on pages 58 to 59 of this annual report

An interim dividend of HK$0.01 per share for the year ended 31 December 2018 amounting to approximately HK$2,000,000 was paid to the shareholders of the Company ("**Shareholders**") during the year ended 31 December 2018.

The interim dividend in 2017 has been declared and paid by Victory Securities Company Limited, a subsidiary of the Company to its Shareholders prior to the reorganization on 25 May 2017.

The special dividends in 2017 and 2018 have been declared and paid by the Company to its Shareholders after the reorganisation on 25 May 2017.

The Board recommended the payment of a final dividend of HK1.50 cents per share for the year ended 31 December 2018, amounting to approximately HK$3,000,000 to those Shareholders whose names appear on the register of members at the close of business on Friday, 17 May 2019, subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Tuesday, 14 May 2019 ("**2019 AGM**"). It is expected that the final dividend will be paid on or about Thursday, 13 June 2019, if approved.

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the 2019 AGM

The register of members of the Company will be closed from Wednesday, 8 May 2019 to Tuesday, 14 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2019 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 May 2019.

To qualify for the proposed final dividend

The register of members of the Company will also be closed from Monday, 20 May 2019 to Wednesday, 22 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday 17 May 2019.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

The fair review of the Group's business, a discussion and analysis of the Group's performance for the year ended 31 December 2018 and an analysis of the likely future development of the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 5 and pages 7 to 14 of this annual report respectively. Description of the principal risks and uncertainties facing the Group are set out in the Corporate Governance Report from pages 20 to 32 and note 31 to the financial statements respectively

USE OF PROCEEDS FROM SHARE OFFER

Details on the use of proceeds from share offer as at the date of this annual report are set out on pages 11 to 12 in the section headed "Management Discussion and Analysis" to this annual report.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last three financial years is set out on page 126 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2018, the Group acquired property and equipment at a cost of approximately HK$766,240.

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 15 to the financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2018 are set out in note 26 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2018 are set out in note 28 to the financial statements

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 61 of this annual report

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2018, the Company's reserves available for distribution amounted to approximately HK$51,217,164. The amount represents the sum of the Company's share premium and accumulated loss, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed.

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

The issued shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited on 16 July 2018 (the "**Listing Date**"). During the period from the Listing Date to 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out in the section headed “Share Option Scheme” in the “Report of the Directors” of this report, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the aggregate amount of turnover attributable to the Group’s five largest customers accounted for 32.8% (2017: 24.5%) of the Group’s total turnover. The largest customer accounted for 12.4% (2017: 6.9%) of the Group’s total turnover. None of the directors of the Company (the “**Director(s)**”) or any of their close associates (as defined in the GEM Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers.

The Group had no major supplier due to the nature of principal activities of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section “Future Plans and Use of Proceeds” of the Prospectus and in the section “Management Discussion and Analysis” of this report, the Group does not have other plans for material investments and capital assets as at 31 December 2018.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:

Ms. Kou Kuen *(Chief Executive Officer)*
Mr. Chiu Che Leung, Stephen
Mr. Chan Pui Chuen
Ms. Yao Yunzhu *(appointed on 26 October 2018)*

Non-Executive Director:

Mr. Chan Ying Kit *(Chairman)*

Independent Non-executive Directors:

Mr. Leung Kwong Kin *(appointed on 14 June 2018)*
Mr. Liu Chun Ning Wilfred *(appointed on 14 June 2018)*
Mr. Yan Ka Shing *(appointed on 14 June 2018)*

In accordance with Article 109(a) of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with Article 113 of the Articles of Association of the Company, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Ms. Kou Kuen, Mr. Chiu Che Leung, Stephen, Mr. Chan Pui Chuen, Ms. Yao Yunzhu, Mr. Chan Ying Kit, Mr. Leung Kwong Kin, Mr. Liu Chun Ning Wilfred and Dr. Yan Ka Shing will retire by rotation at the AGM and, being eligible, have offered themselves for re-election at the AGM.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 15 to 19 in the section headed "Biographical Details of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INDEMNITIES AND INSURANCE

Pursuant to the Company's Articles of Association, every Directors or other officer of the Company shall be entitled to be indemnified out of the assets and profit of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officer's liability coverage for the Directors and officers of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 31 December 2018, 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 Securities and Futures Ordinance ("**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	150,000,000	75%
Mr. Chan Ying Kit (1) and (2)	Interest of spouse	150,000,000	75%

Notes:

(1) Dr. TT Kou's Family Company Limited ("**DTTKF**") is the registered owner of 150,000,000 shares, representing 75% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Ms. Kou Luen, Mr. Chan Ying Kit, Mr. Chiu Che Leung, Stephen, Mr. Ko Yuen Fai, Mr. Ko Yuen Kwan, Mr. Ko Yuan San, Mr. Ko Yuen Sing, Ms. Kwok Lo Ming, Ms. Meng Li, Mr. Sze Tung, Mr. Yeung Tak Kwen and Mr. Chan Pui Chuen in the proportion of approximately 66.63%, 10.50%, 6.71%, 2.00%, 1.89%, 3.78%, 0.94%, 0.94%, 3.31%, 1.35%, 0.60%, 1.30% and 0.05%, 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	133,250,000	66.63%
Mr. Chan Ying Kit	DTTKF	Beneficial owner	13,419,000	6.71%
Mr. Chiu Che Leung, Stephen	DTTKF	Beneficial owner	4,000,000	2.00%
Mr. Chan Pui Chuen	DTTKF	Beneficial owner	48,000	0.05%

Save as disclosed above, as at 31 December 2018, 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 December 2018, 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 Director	Capacity/Nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
DTTKF [(1)]	Beneficial owner	150,000,000	75%
Long Boom Capital Holding Limited [(2)]	Beneficial owner	16,956,000	8.48%
Mr. Lin Zhang [(2)]	Interested in a controlled corporation	16,956,000	8.48%

Notes:

(1) DTTKF is the registered owner of 150,000,000 shares, representing 75% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Ms. Kou Luen, Mr. Chan Ying Kit, Mr. Chiu Che Leung, Stephen, Mr. Ko Yuen Fai, Mr. Ko Yuen Kwan, Mr. Ko Yuan San, Mr. Ko Yuen Sing, Ms. Kwok Lo Ming, Ms. Meng Li, Mr. Sze Tung, Mr. Yeung Tak Kwen and Mr. Chan Pui Chuen in the proportion of approximately 66.63%, 10.50%, 6.71%, 2.00%, 1.89%, 3.78%, 0.94%, 0.94%, 3.31%, 1.35%, 0.60%, 1.30% and 0.05%, respectively. Accordingly, Ms. Kou Kuen is deemed to be interested in all shares held by DTTKF under the SFO.

(2) Long Boom Capital Holding Limited ("**Long Boom**") holds 16,956,000 shares of the Company. Long Boom was wholly-owned by Mr. Lin Zhang. Accordingly, Mr. Lin Zhang is deemed to be interested in all shares held by Long Boom under the SFO.

Save as disclosed above, as at 31 December 2018, 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 "**Scheme**") on 14 June 2018. The purpose of the Scheme is to enable the Company to grant options to selected participants to recognize and acknowledge the contributions made or may make to the Group.

Participants

Our Board may at its discretion grant right(s) to subscribe for share(s) pursuant to the terms of the Scheme (the "**Option**") to any of the following persons (the "**Eligible Participants**"):

(a) any Director, employee or officer of any company in our Group who is employed by any company in our Group (whether full time or part time) (the "**Employee**"), consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company (the "**Affiliate**"); or

(b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, Employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or the Affiliate; or

(c) a company beneficially owned by any Director, Employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or the Affiliate.

Basis of exercise price

The exercise price for any share under the Scheme shall be a price determined by the Board and notified to each Eligible Participants who accepts the offer (the "**Offer**") by our Company to that Eligible Participant to accept the Option in accordance with the terms of the Scheme (the "**Grantee**"), and where the context permits, include any person who is entitled to any Option in consequent of the death of the original Grantee (being an individual)) (in the letter containing the Offer of the grant of the Option) and shall not be less than the highest of:

(a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (the "**Trading Day**");

(b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the relevant Option; and

(c) the nominal value of a share on the date of grant.

Shares available for issue under the Share Option Scheme

(a) Total number of shares: 20,000,000 shares as at 16 July 2018 (i.e. the Listing date).

(b) Percentage of the issued shares that it represents: 10% as at 16 July 2018.

Maximum entitlement of each Eligible Participant

The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue.

Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

Particulars of the Scheme are set out in the prospectus of the Company dated 30 June 2018 (the "**Prospectus**"). No option was granted, exercised or cancelled under the Scheme from the Listing Date to 31 December 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the year was the Company, its subsidiaries or its associated coperations a party to any arrangement to enable the Company's Directors or chief executive (including their respective spouses or children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" in the "Report of the Directors" in this report, no transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or any of its holding company was a party and in which a Director of the Company or his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

Save for the continuing connected transactions as disclosed in the section headed "Relationship with our controlling shareholders" and "Connected transactions" in the Prospectus, 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 year ended 31 December 2018.

SIGNIFICANT CONTRACT BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS

Save and except those disclosed under the sections headed "Continuing Connected Transaction" and " Deed of Non-Competition" below, the Group does not have any contract of significance with the controlling shareholder(s) or any of its subsidiaries.

EMOLUMENT POLICY

The remuneration of the Executive Directors were decided by the Board as recommended by the Remuneration Committee having regard to a written remuneration policy (which ensures a clear link to business strategy and a close alignment with the Shareholders' interest and current best practice), the Group's operating results, individual performance and comparisons of market statistics. The INEDs are paid fees in line with market practice. No individual should determine his/her own remuneration.

Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Remuneration package includes, as the case may be, basic salaries, Directors' fees, contribution to pension schemes, discretionary bonus relating to financial performance of the Group and individual performance, and other competitive fringe benefits such as medical and life insurances. To provide incentive to the eligible participants (including Directors and employees), the remuneration package has been extended to include share options under the Scheme.

Details of the emoluments of the Directors and chief executives and the five highest paid individuals of the Group are set out in note 12 and note 13 to the financial statements.

CONTINUING CONNECTED TRANSACTIONS

The following Financing Service Agreements (the "**Financing Service Agreements**"), which constitute non-exempt continuing connected transactions (other than the continuing connected transaction with Mr. Chiu Che Leung Stephen ("**Mr. Chiu**") and his relatives ("**Mr. Chiu's Group**"), which are exempted from annual review requirement) are subject to annual review by independent non-executive Directors and the auditors, were recorded during the year:

Details on the Financing Service Agreements of Ms. Kou Kuen's ("**Ms. Kou**") and her relatives ("**Ms. Kou's Group**"), Mr. Ko Yuen Kwan ("**Mr. Ko**") and his relatives ("**Mr. Ko's Group**") and Mr. Chiu's Group are as following:

Nature of transaction	Pricing policy	(1) Date of agreement (2) Terms	Amount for the period from the Listing Date to 31 December 2018
Provision of financing services to Ms. Kou's Group, Mr. Ko's Group and Mr. Chiu's Group	(1) Non-IPO financing services: 7.25% to 7.75% per annum	(1) 14 June 2018	Ms. Kou's Group Non-IPO Financing: HK$6,886,671.76 IPO Financing: HK$349,082.61
	(2) IPO financing services: 2% to 2.7% per annum	(2) 16/07/2018 to 31/12/2020 (can be terminated by either party with seven days prior written notice)	Mr. Ko's Group Non-IPO Financing: HK$1,332,488.00 IPO Financing: Nil
			Mr. Chiu's Group Non-IPO Financing: Nil IPO Financing: Nil

Pursuant to the Financing Service Agreements, Victory Securities Company Limited ("**Victory Securities (HK)**") may (but is not obliged to), upon request, provide to Ms. Kou's Group, Mr. Ko's Group and Mr. Chiu's Group financing services, on normal commercial terms and at interest rates comparable to rates offered to other clients of Victory Securities (HK) who are independent third parties and in accordance with the pricing policy of Victory Securities (HK) from time to time. The interest rates were determined with reference to, among other things, the level of risk of the relevant financing transaction, costs of funding and market interest rates.

The maximum daily outstanding amount of non-IPO financing (the "**Non-IPO Financing Annual Caps**") and IPO financing (the "**IPO Financing Annual Caps**") to Ms. Kou's Group, Mr. Ko's Group and Mr. Chiu's Group for the three years ending 31 December 2018, 2019 and 2020 are as follows:

	Non-IPO Financing Annual Caps			IPO Financing Annual Caps		
	2018 HK$	2019 HK$	2020 HK$	2018 HK$	2019 HK$	2020 HK$
Ms. Kou's Group	15,000,000	15,000,000	15,000,000	4,000,000	4,000,000	4,000,000
Mr. Ko's Group	2,000,000	2,000,000	2,000,000	1,000,000	1,000,000	1,000,000
Mr. Chiu's Group	20,000	20,000	20,000	20,000	20,000	20,000

Since Ms. Kou and Mr. Chiu are the Directors of the Company, they are connected person under the definition of the GEM Listing Rules. Since Mr. Ko Yuen Kwan was a director of Victory (Nominees) Limited ("**Victory (Nominees)**") and Victory VC Asset Management Company Limited ("**Victory VC Asset Management**") in the last 12 months preceding the listing of the Company on 16 July 2018, he is also connected person under the definition of the GEM Listing Rules. Accordingly, the provision of the financing services to them and their relatives by Victory Securities (HK) will constitute continuing connected transactions. As some of these continuing connected transactions were entered or will be entered into with the parties connected or otherwise associated with one another, the transactions entered or will be entered into with such connected persons shall be categorized as same class of transactions and shall be aggregated into a series of connected transactions for the purpose of calculating the considerations.

Details on the Financing Service Agreements were disclosed in the Prospectus.

The following continuing connected transactions, which are exempted from the annual review requirement under Chapter 20 of the GEM Listing Rules, were recorded during the year:

(1) Brokerage Service Agreements ("Brokerage Service Agreements") and Financing Service Agreements

Pursuant to the Brokerage Service Agreements, Ms. Kou's Group, Mr. Ko's Group and Mr. Chiu's Group who receive securities brokerage services will pay securities brokerage fees to Victory Securities Company Limited ("**Victory Securities (HK)**"). On the other hand, according to the Financing Service Agreements, they will also will pay interests to Victory Securities (HK) in respect of the financing services provided by Victory Securities (HK). Details on the Brokerage Service Agreements of Ms. Kou's Group, Mr. Ko's Group and Mr. Chiu's Group are as following:

Nature of transaction	Pricing policy	(1) Date of agreement (2) Terms	Amount for the period from the Listing Date to 31 December 2018
Securities brokerage income from securities brokerage services provided to Ms. Kou's Group, Mr. Ko's Group and Mr. Chiu's Group	Commission rate on normal commercial terms of 0.1% to 0.25%	(1) 14 June 2018 (2) 16/07/2018 to 31/12/2020 (can be terminated by either party with seven days prior written notice)	Ms. Kou's Group HK$13,663.30 Mr. Ko's Group HK$16,954.35 Mr. Chiu's Group Nil

Nature of transaction	Pricing policy	(1) Date of agreement (2) Terms	Amount for the period from the Listing Date to 31 December 2018
Interest income from financing services provided to Ms. Kou's Group, Mr. Ko's Group and Mr. Chiu's Group	(1) Non-IPO financing services: 7.25% to 7.75% per annum (2) IPO financing services: 2% to 2.7% per annum	(1) 14 June 2018 (2) 16/07/2018 to 31/12/2020 (can be terminated by either party with seven days prior written notice)	Ms. Kou's Group HK$222,265.85 Mr. Ko's Group HK$38,764.63 Mr. Chiu's Group Nil

The annual maximum amounts of securities brokerage income from securities brokerage services (the "**Brokerage Annual Caps**") to be provided to Ms. Kou's Group, Mr. Ko's Group and Mr. Chiu's Group, and annual maximum amounts of interest income from the financing services (the "**Interest Annual Caps**") to be received from Ms. Kou's Group, Mr. Ko's Group and Mr. Chiu's Group for the three years ending 31 December 2018, 2019 and 2020 are as follows:

	Brokerage Annual Caps			Interest Annual Caps		
	2018 HK$	2019 HK$	2020 HK$	2018 HK$	2019 HK$	2020 HK$
Ms. Kou's Group	150,000	150,000	150,000	350,000	350,000	350,000
Mr. Ko's Group	300,000	300,000	300,000	100,000	100,000	100,000
Mr. Chiu's Group	10,000	10,000	10,000	10,000	10,000	10,000

Details on the Brokerage Service Agreements were disclosed in the Prospectus.

(2) Trademark Licence Deed

On 14 June 2018, the Company, as licensee, and DTTKF, as licensor, entered into a trademark licence deed (the "**Trademark Licence Deed**") pursuant to which DTTKF has granted an exclusive right to our Group to use the trademark (the "**Trademark**") with no consideration for a term of three years commencing from 23 June 2017 (i.e. the date DTTKF began to own the Trademark).

(3) Asset Management Agreement

On 14 June 2018, Victory Securities (HK) entered into an asset management agreement (the "**Asset Management Agreement**") with Victory Global Trustee Company Limited, pursuant to which Victory Securities (HK) agreed to provide asset management services to Victory Global Trustee Company Limited for a term of three years commencing from 1 April 2018.

Pursuant to the Asset Management Agreement, Victory Securities (HK) shall perform such duties as are customarily performed by an investment manager of a unit trust fund or as may be agreed from time to time between Victory Securities (HK) and Victory Global Trustee Company Limited. Victory Securities (HK) shall, subject to the overall supervision and control of the directors of Victory Global Trustee Company Limited, manage the assets and investments which are held by Victory Global Trustee Company Limited as trustee on a discretionary basis in pursuit of the relevant investment objective of the trust(s) managed and administered by Victory Global Trustee Company Limited and subject to the appropriate investment control and restrictions of Victory Global Trustee Company Limited.

In consideration of the services provided to Victory Global Trustee Company Limited by Victory Securities (HK) under the Asset Management Agreement, (i) Victory Global Trustee Company Limited shall pay Victory Securities (HK) the asset management fees and performance fees which are on terms no less favourable to the Group than the terms offered by Independent Third Parties; and (ii) Victory Global Trustee Company Limited shall reimburse Victory Securities (HK) for all out-of-pocket costs and expenses incurred by Victory Securities (HK) (or by any delegate or agent appointed by it pursuant to the Asset Management Agreement) in the performance of its duties and obligations under the Asset Management Agreement.

The annual caps for the aggregate of performance fee and management fee will be HK$2.0 million (the "**Asset Management Annual Caps**") for each of the three years ending 31 December 2020. The amount paid by Victory Global Trustee Company Limited for the period from the Listing Date to 31 December 2018 was HK$10,000.

Victory Global Trustee Company Limited is owned as to 20%, 20%, 20%, 20% and 20% by Victory Financial Group Company Limited, Mr. Ko Yuen Kwan, Mr. Chiu, Mr. Chan Pui Chuen and Mr. Yeung Tak Kuen, respectively. Since Victory Financial Group Company Limited is owned as to 70.53% by Ms. Kou, who is a Director of the Company, Victory Financial Group Company Limited is a connected person pursuant to the GEM Listing Rules. Since Victory Global Trustee Company Limited is owned by the connected persons of our Company, it is considered as a connected person of the Company.

The auditor of the Company has provided a letter to the Board of the Company confirming the matters as required under Chapter 20 of the GEM Listing Rules in respect of the continuing connected transactions as set out above which took place during the year.

The independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2018 and confirmed that they have been entered into in the ordinary and usual course of business of the Group on normal commercial terms and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONNECTED TRANSACTIONS

On 29 March 2018, Victory Securities (HK), as licensee, and Victory Corporate Solutions Company Limited, as licensor, entered into a software licence agreement (the "**Software Licence Agreement**"), pursuant to which Victory Corporate Solutions Company Limited has granted a non-exclusive right to Victory Securities (HK) to use a system software at consideration of HK$800,000 commencing from 1 April 2018. The consideration was arrived at after arm's length negotiation between Victory Securities (HK) and Victory Corporate Solutions Company Limited with reference to: (i) the cost incurred by Victory Corporate Solutions Company Limited in designing the system software and (ii) the benefits the system software would bring to Victory Securities (HK). Victory Securities (HK) believes that the system software could enhance the business operation efficiency of Victory Securities (HK). The Directors are of the view that the entering into and the terms and conditions of the Software Licence Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the best interests of the Company and the Shareholders as a whole.

Victory Corporate Solutions Company Limited is wholly-owned by Victory Financial Group Company Limited which is owned as to 70.53% by Ms. Kou, who is a Director of the Company. Victory Corporate Solutions Company Limited is therefore an associate of Ms. Kou and a connected person pursuant to the GEM Listing Rules. The transaction with Victory Corporate Solutions Company Limited therefore constitutes a connected transaction under Chapter 20 of the GEM Listing Rules. As the relevant applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the transaction under the Software Purchase Agreement are less than 5% and the total consideration is less than HK$3,000,000, hence this connected transaction is exempt from the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DEED OF NON-COMPETITION

Each of our controlling Shareholders (collectively, the "**Covenantors**" and each a "**Covenantor**") entered into the Deed of Non-Competition with the Company pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with the Company (for itself and as trustee for its subsidiaries), on a joint and several basis, that at any time the period commencing on the Listing Date and expiring on the earlier of (i) the date upon which the Shares cease to be listed on the Stock Exchange; or (ii) the date upon which (a) the Covenantors, individually or collectively (whether or not with their respective associates), cease to own, directly or indirectly, 30% or more of the then issued share capital of our Company (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer as required thereunder); (b) the Covenantors cease to control the composition of a majority of the Board; and (c) none of the Covenantors, nor any of their respective associates remain as a director or senior management of our Company. Such Covenantor shall not, and shall procure that neither their respective associates nor companies controlled by the Covenantors (other than the members of the Group) will, (i) directly or indirectly, be interested in or involved in or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder (other than being a director or shareholder of any member of the Group), partner, agent or otherwise) in any form of business, including, whether for profit, reward or otherwise, any joint venture, alliance, cooperation, partnership which competes or is likely to compete directly or indirectly with the business carried on or contemplated to be carried on by the Group from time to time (the "**Restricted Activity**"); nor provide support in any form to persons other than the members of the Group to engage in business that constitute or may constitute direct or indirect competition with the businesses that the Group is currently and from time to time carrying on; (ii) solicit any existing employee of the Group for employment by him/her/it or his/her/its close associates or companies controlled by him/her/it; (iii) solicit or procure any of the suppliers and/or the customers of the Group from time to time to terminate their business relationships or otherwise reduce the amount of business with the Group; (iv) solicit or procure any of the directors, senior management or other employees of the Group from time to time to resign or otherwise cease providing services to the Group; and (v) without the prior written consent of the Company, make use of any information pertaining to the business of the Group which may have come to his/her/its knowledge for any purpose of engaging, investing or participating in any Restricted Activity.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the Deed of Non-Competition from the Listing Date up to the date of this report, and the independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Controlling Shareholders from the Listing Date up to the date of this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received from each of the INEDs an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considered all of the INEDs are independent.

COMPLIANCE ADVISER'S INTERESTS

Save and except for the compliance adviser's agreement entered into between the Company and Pulsar Capital Limited (the "**Compliance Adviser**") dated 12 October 2017, neither the Compliance Adviser, nor any of its directors, employees or close associates had any interests in the securities of the Company or other companies of the Group (including options or rights to subscribe for such securities) as at 31 December 2018 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.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, save as those disclosed in the Prospectus, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2018, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conduct, employment and the environment.

The "Environmental, Social and Governance Report", which forms part of this report, is set out on pages 33 to 39 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there has been a sufficient public float of the Shares as required under the GEM Listing Rules (i.e. at 25% of the issued shares in public hands since the Listing Date and up to the date of this report).

DONATIONS

During the year ended 31 December 2018, the Group made charitable donations amounting to HK$14,600.

AUDITORS

The consolidated Financial Statements for the year ended 31 December 2018 have been audited by Ernst & Young, who will retire, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as auditors of the Company.

On behalf of the Board

Mr. Chan Ying Kit
Chairman

Hong Kong, 22 March 2019

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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To the shareholders of Victory Securities (Holdings) Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Victory Securities (Holdings) Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 58 to 125, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on margin client and cash client receivables included in accounts receivable	
The Group has adopted HKFRS 9 on 1 January 2018. The key change arising from the adoption of HKFRS 9 is that the Group's credit losses are now estimated based on an expected loss model rather than an incurred loss model. As at 31 December 2018, the gross margin client and cash client receivables amounted to HK$147,481,956 and HK$27,597,090, respectively. Their credit loss impairment allowances amounted to HK$87,095 and HK$264,822, respectively. The Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The assessment of impairment for margin client and cash client receivables involves significant management judgements and estimates, including estimation of probability of defaults, valuation of collateral, expected future cash flows and future economic conditions. The related disclosures regarding the accounting policy, the judgement and estimates involved and the details of the credit loss allowance are included in notes 2.4, 3(b) and 19(f) to the consolidated financial statements.	For assessment of credit loss allowance as of 31 December 2018: 1. For margin client and cash client receivables classified at stage 1, we evaluated the Group's estimation methodology of expected credit losses, and checked the parameters to external data sources where available, including the price volatility of selected underlying collateral used in multiple scenario analysis; 2. For margin client and cash client receivables classified at stage 2 and 3, in assessing the credit loss allowances made by the Group, we checked the valuation of the collateral and other sources of cash flows, and developed a reasonable range of expected cash shortfall for comparison with the Group's assessment; and 3. We also evaluated the related disclosures regarding the accounting policy, the judgement and estimates involved and the details of the credit loss allowances included in notes 2.4, 3(b) and 19(f) to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ho Yin.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 HK$	2017 HK$
Revenue	5	**64,906,137**	56,433,162
Other income and gains/(losses), net	6	**722,503**	7,912,341
		65,628,640	64,345,503
Commission expenses		**(9,449,084)**	(7,027,489)
Depreciation	15	**(2,158,537)**	(2,113,746)
Staff costs	7	**(14,862,602)**	(15,336,578)
Other operating expenses		**(27,621,023)**	(17,068,586)
Impairment charge on accounts receivable, net		**(310,667)**	–
Finance costs	8	**(1,925,599)**	(1,570,457)
Profit before tax	9	**9,301,128**	21,228,647
Income tax expense	10	**(2,175,575)**	(3,575,564)
Profit for the year		**7,125,553**	17,653,083
Attributable to: Owners of the parent		**7,125,553**	17,653,083
Earnings per share attributable to ordinary equity holders of the parent Basic and diluted (in HK cents)	11	**4.12**	11.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HK$	2017 HK$
PROFIT FOR THE YEAR		**7,125,553**	17,653,083
OTHER COMPREHENSIVE INCOME			
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	15	**7,789,322**	4,641,365
– income tax effect	27	**(1,285,238)**	(765,825)
Income tax effect on disposal of land and buildings held for own use	27	**–**	719,577
Other comprehensive income for the year, net of tax		**6,504,084**	4,595,117
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,629,637**	22,248,200
Attributable to:			
Owners of the parent		**13,629,637**	22,248,200

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$	2017 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	15	**57,080,295**	50,698,601
Investment property	16	**10,500,000**	10,200,000
Intangible assets	17	**600,001**	1
Other assets	18	**657,661**	475,000
Total non-current assets		**68,837,957**	61,373,602
CURRENT ASSETS			
Accounts receivable	19	**260,112,548**	324,145,933
Prepayments and other receivables	20	**2,189,903**	3,840,033
Financial assets at fair value through profit or loss	21	**15,504,723**	12,970,426
Cash and cash equivalents	22	**15,425,482**	8,999,289
Total current assets		**293,232,656**	349,955,681
CURRENT LIABILITIES			
Accounts payable	23	**65,908,786**	203,615,931
Other payables and accruals	24	**4,219,286**	5,680,870
Provisions	25	**2,680,430**	1,645,138
Bank borrowings	26	**76,500,000**	47,500,000
Tax payable		**941,589**	3,068,427
Total current liabilities		**150,250,091**	261,510,366
NET CURRENT ASSETS		**142,982,565**	88,445,315
TOTAL ASSETS LESS CURRENT LIABILITIES		**211,820,522**	149,818,917
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	**7,782,060**	6,356,194
Total non-current liabilities		**7,782,060**	6,356,194
Net assets		**204,038,462**	143,462,723
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**1,999,998**	193
Reserves		**202,038,464**	143,462,530
TOTAL EQUITY		**204,038,462**	143,462,723

Ms. KOU Kuen
Executive Director

Mr. CHIU Che Leung Stephen
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Notes	Share capital HK$	Attributable to owners of the parent Share premium HK$	Property revaluation reserve HK$	Merger reserve (Note 29) HK$	Retained profits HK$	Total HK$
At 1 January 2017		193	–	29,841,020	100,000,000	5,873,310	135,714,523
Profit for the year		–	–	–	–	17,653,083	17,653,083
Other comprehensive income for the year:							
Change in fair value of land and buildings, net of tax		–	–	3,875,540	–	–	3,875,540
Income tax effect on disposal of land and building held for own use	27	–	–	719,577	–	–	719,577
Total comprehensive income for the year		–	–	4,595,117	–	17,653,083	22,248,200
Transfer of property revaluation reserve upon disposal of property		–	–	(4,361,079)	–	4,361,079	–
Interim dividend	14	–	–	–	–	(10,500,000)	(10,500,000)
Special dividend	14	–	–	–	–	(4,000,000)	(4,000,000)
At 31 December 2017		193	–	30,075,058*	100,000,000*	13,387,472*	143,462,723
At 1 January 2018		193	–	30,075,058	100,000,000	13,387,472	143,462,723
Impact of adopting HKFRS 9	2.2	–	–	–	–	(34,444)	(34,444)
Restated opening balance under HKFRS 9		193	–	30,075,058	100,000,000	13,353,028	143,428,279
Profit for the year		–	–	–	–	7,125,553	7,125,553
Other comprehensive income for the year:							
Change in fair value of land and buildings, net of tax		–	–	6,504,084	–	–	6,504,084
Total comprehensive income for the year		–	–	6,504,084	–	7,125,553	13,629,637
Capitalisation issue of shares	28	1,499,805	(1,499,805)	–	–	–	–
Issue of ordinary shares through placing	28	500,000	62,000,000	–	–	–	62,500,000
Share issue expenses		–	(5,519,454)	–	–	–	(5,519,454)
Interim dividend	14	–	–	–	–	(2,000,000)	(2,000,000)
Special dividend	14	–	–	–	–	(8,000,000)	(8,000,000)
At 31 December 2018		1,999,998	54,980,741*	36,579,142*	100,000,000*	10,478,581*	204,038,462

* These reserve accounts comprise the consolidated reserves of HK$202,038,464 as at 31 December 2018 (2017: HK$143,462,530) on the consolidated statements of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 HK$	2017 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,301,128**	21,228,647
Adjustments for:			
Depreciation	9	**2,158,537**	2,113,746
Amortisation	9	**200,000**	–
Dividend income from listed investments	6	**(276,206)**	(253,865)
Interest expense on bank loans and overdrafts	8	**1,847,177**	1,495,882
Fair value losses/(gains) on financial assets at fair value through profit or loss	6	**295,013**	(2,564,973)
Fair value gains on investment property	6	**(300,000)**	(4,500,000)
Loss on disposal of items of property, plant and equipment	6	**15,331**	796
Provision/(reversal of provision) for loss on guaranteed contracts with customers	9	**1,090,953**	(151,843)
Impairment charge on accounts receivable, net	9	**310,667**	–
		14,642,600	17,368,390
Increase in other assets		**(182,661)**	–
Decrease/(increase) in accounts receivable		**63,681,468**	(187,453,167)
Increase in prepayments and other receivables		**(280,036)**	(1,901,664)
(Decrease)/increase in accounts payable		**(137,707,145)**	171,728,043
(Decrease)/increase in other payables and accruals		**(1,461,584)**	2,611,860
(Decrease)/increase in provisions		**(55,661)**	34,174
Cash (used in)/generated from operations		**(61,363,019)**	2,387,636
Hong Kong profits tax paid		**(4,154,979)**	(317,902)
Net cash (used in)/from operating activities		**(65,517,998)**	2,069,734
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	**(766,240)**	(425,818)
Purchase of an intangible asset	17	**(800,000)**	–
Purchase of financial assets at fair value through profit or loss		**(9,175,801)**	(6,239,274)
Proceeds from disposal of financial assets at fair value through profit or loss		**6,622,047**	5,371,972
Proceeds from disposal of property, plant and equipment		**–**	11,000,000
Proceeds from disposal of an investment property		**–**	14,500,000
Dividend received		**650**	23,819
Net cash (used in)/from investing activities		**(4,119,344)**	24,230,699

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 HK$	2017 HK$
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(1,847,177)**	(1,495,882)
New bank borrowings		**1,168,300,000**	1,503,980,695
Repayment of bank borrowings		**(1,139,300,000)**	(1,513,480,695)
Proceed from issue of shares by the Company		**62,500,000**	–
Share issue expenses		**(3,589,288)**	–
Dividend paid		**(10,000,000)**	(14,500,000)
Net cash from/(used in) financing activities		**76,063,535**	(25,495,882)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,426,193**	804,551
Cash and cash equivalents at beginning of year		**8,999,289**	8,194,738
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**15,425,482**	8,999,289
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**10,254,661**	7,366,787
Interest paid		**78,422**	74,575

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the businesses of securities broking and placing and underwriting services, financing services and asset management services in Hong Kong.

One of the subsidiaries is a licensed corporation under the Hong Kong Securities and Futures Ordinance 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.

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

As at the end of the year, 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 Direct	Indirect	Principal activities
Victory Securities Holding Limited	British Virgin Islands/ Hong Kong	US$50,000	100%	–	Investment holding
Victory Securities Company Limited	Hong Kong	HK$145,000,000	–	100%	Securities broking, financing and asset management
Victory (Nominees) Limited	Hong Kong	HK$1	–	100%	Dormant
Victory VC Asset Management Company Limited	Hong Kong	HK$1,000,000	–	100%	Dormant
VS Capital Limited	Hong Kong	HK$1,000,000	–	100%	Inactive

2.1 BASIS OF PREPARATION

These 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. 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 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 consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfer of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Classification and measurement *(Continued)*

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
Financial assets		Category	Amount	ECL	Amount	Category
	Note		HK$	HK$	HK$	
Other assets		L&R[1]	475,000	–	475,000	AC[2]
Accounts receivable	(i)	L&R	324,145,933	(41,250)	324,104,683	AC
Financial assets at fair value through profit or loss		FVPL[3]	12,970,426	–	12,970,426	FVPL
Other receivables included in prepayment and other receivables		L&R	1,568,988	–	1,568,988	AC
Cash and cash equivalents		L&R	8,999,289	–	8,999,289	AC
			348,159,636	(41,250)	348,118,386	
Financial liabilities						
Accounts payable		AC	203,615,931	–	203,615,931	AC
Other payables and accruals		AC	5,680,870	–	5,680,870	AC
Bank borrowings		AC	47,500,000	–	47,500,000	AC
			256,796,801	–	256,796,801	
Other liabilities						
Deferred tax liabilities			6,356,194	(6,806)	6,349,388	

[1] L&R: Loans and receivables
[2] AC: Financial assets or financial liabilities at amortised cost
[3] FVPL: Financial assets at fair value through profit or loss

Note:

(i) The Group has remeasured the carrying amounts of the accounts receivable based on the ECL model.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 19 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	HK$	HK$	HK$
Accounts receivable	–	41,250	41,250

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits HK$
Balance as at 31 December 2017 under HKAS 39	**13,387,472**
Recognition of expected credit losses for accounts receivable under HKFRS 9	**(41,250)**
Deferred tax in relation to the above	**6,806**
Balance as at 1 January 2018 under HKFRS 9	**13,353,028**

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	Definition of a Business [2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation* [1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
HKFRS 16	*Leases* [1]
HKFRS 17	*Insurance Contacts* [3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material* [2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement* [1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures* [1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments* [1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 [1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK$529,715 and lease liabilities of HK$545,933 will be recognised at 1 January 2019.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment property, land and buildings held for own use and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and the investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parents of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Land held for own use under operating leases and buildings thereon, where the fair value of the leasehold interest in the land and buildings cannot be measured separately at inception of the lease, are accounted for as being held under a finance lease, unless the buildings are also clearly held under an operating lease. For these purposes, inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. The leasehold land and buildings are stated on the consolidated statements of financial position at their fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed by independent qualified valuers annually, with changes in the fair value arising on revaluations recorded as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and building held for own use under finance leases	The shorter of 50 years and unexpired term of the leases
Leasehold improvements	The shorter of 8 years and the unexpired term of the lease
Furniture and fixtures	20%
Office and computer equipment	20%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software is amortised over its estimated useful life of three years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statements of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other gains/losses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the interest income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 before 1 January 2018) *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For financial assets, except for margin client receivables, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers these financial assets are in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For margin client receivables, the Group considers there has been a significant increase in credit risk when clients cannot meet margin call requirement and uses the loan-to-collateral value ("LTV") to make its assessment The Group consider a margin client receivable is in default when payments under the margin call requirement are 30 days past due. However, in certain cases, the Group may also consider a margin client receivable to be in default when there is a margin shortfall which indicates that the Group is unlikely to receive the outstanding contractual amounts in full taking into the pledged securities held by the Group. A margin client receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12– month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has applied loss rates which are reference to the default rates from international credit rating agencies, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, other payables and accruals and bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents, bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Commission and brokerage income

The performance obligation is satisfied at a point in time when the customer has received the service from the Group, generally when the trades are executed. Commission and handling income on securities and futures dealing and broking is generally due within two days after trade date.

Placing and underwriting commission income and handling fee income

The performance obligation is satisfied at a point in time when the customer has received the service from the Group. The customer receives and consume the benefits provided by the Group when the relevant services are rendered.

Asset management income

Revenue from asset management services is recognised over time as the services are provided. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis as mutually agreed.

Performance fees are recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant performance period and it is determined that it will not result in significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the managed accounts. Performance fees, if any, are deducted from the customer's account balance on a regular basis as mutually agreed.

Revenue from other sources and other income

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

Revenue from other source and other income (Continued)

Rental income

Rental income is recognised on a time proportion basis over the lease terms.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Commission and brokerage income arising from broking services are recognised when the relevant contract notes are exchanged.

(ii) Placing and underwriting commission income and handling fee income are recognised when the relevant transaction have been arranged or the relevant services have been rendered.

(iii) Interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(iv) Dividend income is recognised when the shareholders' right to receive payment has been established.

(v) Asset management income is recognised when the relevant services are rendered.

(vi) Rental income is recognised on a time proportion basis over the lease term.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

Fiduciary activities

The Group provides brokerage and asset management services and the Group acts in a fiduciary capacity which results in the holding or placing of assets on behalf of its customers. These assets and any gains or losses arising thereon are not included in the financial statements as the Group has no contractual rights to these assets and its gains or losses under fiduciary activities.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Taxes

Significant judgement is required in determining the provisions for income and other taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(a) Estimation of fair value of an investment property and leasehold land and buildings

An investment property and leasehold land and buildings are carried in the consolidated statements of financial position at their fair values. The fair value is based on a valuation on these properties conducted by an independent professional valuer using property valuation techniques which involve making assumptions on certain market conditions. As set out in notes 15 and 16 to the financial statements, favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property and leasehold land and buildings.

(b) Provision for expected credit losses on margin client and cash client receivables

The Group calculates the ECLs of margin client receivables by estimating the probability of decline in expected future collateral prices and failure of meeting the margin call requirement given the notice period of termination, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The Group calculates the ECLs of cash client receivables based on the loss rates which are reference to the default rates from international credit rating agencies, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As part of a qualitative assessment of whether a counterparty is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When certain events occur, the Group carefully considers whether the events should result in determining the counterparties as defaulted and therefore assesses whether the classification as stage 3 for ECL calculation is appropriate.

As at 31 December 2018, a credit loss allowance of HK$351,917 has been made against margin client and cash client receivables. Further details are set out in note 19(f) to the financial statements. Other than the margin client and cash client receivables, no credit loss allowance has been provided for other financial assets as the related credit loss allowances were immaterial.

(c) Valuation on convertible bonds

The fair value of convertible bonds designated as at fair value through profit or loss that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. The valuation techniques used are commonly used by other market participants. Changes in assumptions on the valuation techniques could affect the reported fair values of these financial assets. Further details are set out in note 21 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has the reportable operating segments as follows:

(a) the securities broking service segment comprises the provision of broking services in securities traded in Hong Kong and overseas markets and the provision of equity and debt securities placing and underwriting services to listed clients;

(b) the financing services segment comprises the provision of financing services to margin and cash clients; and

(c) the asset management services segment comprises the provision of fund management and wealth management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax, except that unallocated other income and gains/losses as well as corporate expenses are excluded from such measurement.

Year ended 31 December 2018

	Securities broking services HK$	Financing services HK$	Asset management services HK$	Total HK$
Segment revenue	54,293,117	10,038,934	574,086	64,906,137
Segment results	32,576,507	7,802,668	(1,871,143)	38,508,032
Other income and gains/(losses), net				722,503
Unallocated expenses				(29,929,407)
Profit before tax				9,301,128
Other segment information:				
Interest income from clients	–	10,038,934	–	10,038,934
Finance costs	–	(1,925,599)	–	(1,925,599)
Commission expenses	(9,449,084)	–	–	(9,449,084)
Provision for loss on guaranteed contracts with customers	–	–	(1,090,953)	(1,090,953)
Impairment charge on accounts receivable, net	–	(310,667)	–	(310,667)

The depreciation and amortisation for the year ended 31 December 2018 of HK$2,158,537 (2017: HK$1,636,069) and HK$200,000 (2017: Nil), respectively, are included in the unallocated expenses.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2017

	Securities broking services HK$	Financing services HK$	Asset management services HK$	Total HK$
Segment revenue	46,937,968	7,267,365	2,227,829	56,433,162
Segment results	29,846,984	5,696,908	327,934	35,871,826
Other income and gains/(losses), net				7,912,341
Unallocated expenses				(22,555,520)
Profit before tax				21,228,647
Other segment information:				
Interest income from clients	–	7,267,365	–	7,267,365
Finance costs	–	(1,570,457)	–	(1,570,457)
Commission expenses	(7,027,489)	–	–	(7,027,489)
Reversal of provision for loss on guaranteed contracts with customers	–	–	151,843	151,843
Depreciation	(477,677)	–	–	(477,677)
Unallocated				(1,636,069)
				(2,113,746)

Geographical information

The Group's non-current assets are located in Hong Kong. The Group operates in Hong Kong and its revenue are derived from its operations in Hong Kong.

Information about major customers

Revenue from major customers during the years ended 31 December 2018 and 2017 contributing over 10% of the total revenue of the Group are as follows:

	2018 HK$	2017 HK$
Customer A	**8,014,209**	N/A*

* Contributed to less than 10% of the Group's total revenue for the year ended 31 December 2017.

No other single customers contributed 10% or more to the Group's revenue during the years ended 31 December 2018 and 2017.

5. REVENUE

An analysis of revenue is as follows:

	2018 HK$	2017 HK$
Revenue from contracts with customers	54,651,476	–
Commission and brokerage income	–	35,405,745
Placing and underwriting commission income	–	4,759,807
Handling fee income	–	6,672,994
Asset management fee	–	2,227,829
Revenue from other sources		
Interest income calculated using the effective interest method from:		
– clients	10,038,934	7,267,365
– authorised institutions	173,946	91,670
– others	41,781	7,752
	64,906,137	56,433,162

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:

	2018 HK$
Commission and brokerage income	39,654,407
Placing and underwriting commission income	7,214,137
Handling fee income	7,208,846
Asset management fee	574,086
	54,651,476

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

	Note	2018 HK$	2017 HK$
Other income			
Gross rental income		300,000	531,000
Sundry income		156,641	63,299
		456,641	594,299
Trading gains/(losses), net			
Fair value (losses)/gains on financial assets at fair value through profit or loss		(295,013)	2,564,973
Dividend income from financial assets at fair value through profit or loss		276,206	253,865
		(18,807)	2,818,838
Other gains/(losses), net			
Fair value gains on investment property	16	300,000	4,500,000
Loss on disposal of items of property, plant and equipment		(15,331)	(796)
		284,669	4,499,204
		722,503	7,912,341

7. STAFF COSTS

Staff costs (including directors' remuneration and chief executive's remuneration (note 12)) are as follows:

	2018 HK$	2017 HK$
Salaries, allowances and benefits in kind	14,177,611	14,746,868
Contributions to MPF and Occupational Retirement Schemes	684,991	589,710
	14,862,602	15,336,578

8. FINANCE COSTS

	2018 HK$	2017 HK$
Interest on bank loans and overdrafts	**1,847,177**	1,495,882
Interest on client payables with no fixed repayment terms	**78,422**	74,575
Total interest expense on financial liabilities not at fair value through profit or loss	**1,925,599**	1,570,457

9. PROFIT BEFORE TAX

	Notes	2018 HK$	2017 HK$
The Group's profit before tax is arrived at after charging/(crediting):			
Auditor's remuneration		**480,000**	302,000
Amortisation	17	**200,000**	–
Depreciation	15	**2,158,537**	2,113,746
Direct operating expenses arising from rental-earning investment property		**5,524**	12,686
Exchange and clearing fee		**6,087,164**	3,898,204
Foreign exchange loss/(gain), net		**1,023,451**	(442,579)
Impairment charge on accounts receivable, net	19	**310,667**	–
Information services expenses		**2,779,307**	2,082,913
Listing expenses		**6,812,158**	6,062,474
Operating lease payments in respect of office premises		**562,527**	526,719
Provision/(reversal of provision) for loss on guaranteed contracts with customers		**1,090,953**	(151,843)

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Note	2018 HK$	2017 HK$
Current tax:			
Hong Kong profits tax		**2,028,141**	3,950,895
Over provision for profits tax in prior years		**–**	(235,911)
		2,028,141	3,714,984
Deferred tax	27	**147,434**	(139,420)
Total tax charge for the year		**2,175,575**	3,575,564

10. INCOME TAX EXPENSE *(Continued)*

A reconciliation of the tax expense applicable to the Group's profit before tax at the statutory rate to the effective tax rate is as follows:

	2018 HK$	2017 HK$
Profit before tax	**9,301,128**	21,228,647
Tax at the statutory tax rate of 16.5%	**1,534,686**	3,502,727
Expenses not deductible for tax	**2,575,759**	1,753,512
Income not subject to tax	**(1,769,870)**	(1,444,666)
Over provision for profits tax in prior years	**–**	(235,911)
Tax relief of 8.25% on first HK$2 million assessable profit	**(165,000)**	–
Others	**–**	(98)
Tax charge for the year with effective rate of 23.4% (2017: 16.8%)	**2,175,575**	3,575,564

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

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of HK$7,125,553 (2017: HK$17,653,083) and the weighted average number of ordinary shares in issue of 173,150,685 (2017: 150,000,000) during the year.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been determined on the assumption that the reorganisation and the capitalisation issue as disclosed in note 28 had been effective on 1 January 2017.

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 HK$	2017 HK$
Fees	**584,581**	360,000
Other emoluments:		
Salaries, allowances and benefits in kind	**1,942,645**	1,998,066
Contributions to retirement schemes	**100,629**	83,653
Commission expenses	**1,613,872**	1,261,673
	4,241,727	3,703,392

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 HK$	2017 HK$
Mr. Leung Kwong Kin	**71,710**	–
Mr. Liu Chun Ning Wilfred	**71,710**	–
Dr. Yan Ka Shing (Note)	**–**	–
	143,420	–

Note: Dr. Yan Ka Shing decides not to receive remuneration for his personal reasons.

(b) Executive directors, a non-executive director and the chief executive

	Fee HK$	Salaries, allowances and benefits in kind HK$	Contributions to retirement schemes HK$	Commission expenses HK$	Total remuneration HK$
2018					
Executive directors:					
Ms. Kou Kuen *(Chief Executive Officer)*	**120,000**	**792,540**	**82,629**	**1,489,243**	**2,484,412**
Mr. Chiu Che Leung, Stephen	**120,000**	**725,040**	**–**	**21,513**	**866,553**
Mr. Chan Pui Chuen *	**55,161**	**425,065**	**18,000**	**103,116**	**601,342**
Ms. Yao Yunzhu **	**26,000**	**–**	**–**	**–**	**26,000**
	321,161	**1,942,645**	**100,629**	**1,613,872**	**3,978,307**
Non-executive director:					
Mr. Chan Ying Kit *(Chairman)*	**120,000**	**–**	**–**	**–**	**120,000**
	120,000	**–**	**–**	**–**	**120,000**
	441,161	**1,942,645**	**100,629**	**1,613,872**	**4,098,307**
2017					
Executive directors:					
Ms. Kou Kuen *(Chief Executive Officer)*	120,000	906,593	78,000	1,246,583	2,351,176
Mr. Chiu Che Leung, Stephen	120,000	818,870	–	14,056	952,926
Mr. Chan Pui Chuen *	–	272,603	5,653	1,034	279,290
	240,000	1,998,066	83,653	1,261,673	3,583,392
Non-executive director:					
Mr. Chan Ying Kit *(Chairman)*	120,000	–	–	–	120,000
	120,000	–	–	–	120,000
	360,000	1,998,066	83,653	1,261,673	3,703,392

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, a non-executive director and the chief executive *(Continued)*

* Chan Pui Chuen was appointed as an executive director of the Company on 5 September 2017.

** Yao Yunzhu was appointed as an executive director of the Company on 26 October 2018.

During the years ended 31 December 2018 and 2017, there was no arrangement under which a director waived or agreed to waive any remuneration.

During the years ended 31 December 2018 and 2017, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2017: two directors), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (2017: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 HK$	2017 HK$
Salaries, allowances and benefits in kind	**1,887,310**	1,970,996
Contributions to retirement schemes	**112,788**	105,242
	2,000,098	2,076,238

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2018 HK$	2017 HK$
Nil to HK$1,000,000	**3**	3
	3	3

No remuneration was paid or payable by the Group to the five highest paid employees as an inducement to join or upon joining the Group as a compensation for loss of office during the years ended 31 December 2018 and 2017.

14. DIVIDENDS

	Notes	2018 HK$	2017 HK$
Interim dividend	a	**2,000,000**	10,500,000
Special dividend	b	**8,000,000**	4,000,000
Dividends declared and paid		**10,000,000**	14,500,000
Proposed final dividend	c	**3,000,000**	–
		13,000,000	14,500,000

(a) The interim dividend in 2017 has been declared and paid by Victory Securities Company Limited to its shareholders prior to the reorganisation on 25 May 2017.

The interim dividend in 2018 has been declared and paid by the Company to its shareholders. At a meeting held on 10 August 2018, the Board declared an interim dividend of HK$0.01 per ordinary share for the first half of 2018 amounting to HK$2,000,000.

(b) The special dividends in 2017 and 2018 have been declared and paid by the Company to its shareholders after the reorganisation on 25 May 2017.

(c) A final dividend of HK1.50 cents per share for the year ended 31 December 2018 was recommended by the Board and subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

The rate of dividend and the number of shares ranking for dividend before 16 July 2018 (i.e. the Company's listing date) are not presented as disclosure of such information is not meaningful.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held for own use HK$	Motor vehicles HK$	Office equipment HK$	Computer equipment HK$	Furniture and fixtures HK$	Leasehold improvements HK$	Total HK$
31 December 2018							
At 1 January 2018:							
Cost or valuation	49,800,000	370,000	938,381	1,236,385	927,294	1,636,552	54,908,612
Accumulated depreciation	–	(215,832)	(888,617)	(678,947)	(869,718)	(1,556,897)	(4,210,011)
Net carrying amount	49,800,000	154,168	49,764	557,438	57,576	79,655	50,698,601
At 1 January 2018, net of accumulated depreciation	49,800,000	154,168	49,764	557,438	57,576	79,655	50,698,601
Additions	–	556,000	8,933	137,285	64,022	–	766,240
Disposals	–	–	–	–	(15,331)	–	(15,331)
Depreciation provided during the year	(1,739,322)	(138,828)	(16,676)	(195,477)	(28,997)	(39,237)	(2,158,537)
Gain on revaluation	7,789,322	–	–	–	–	–	7,789,322
At 31 December 2018, net of accumulated depreciation	55,850,000	571,340	42,021	499,246	77,270	40,418	57,080,295
At 31 December 2018:							
Cost or valuation	55,850,000	926,000	947,314	1,373,670	914,536	1,636,552	61,648,072
Accumulated depreciation	–	(354,660)	(905,293)	(874,424)	(837,266)	(1,596,134)	(4,567,777)
Net carrying amount	55,850,000	571,340	42,021	499,246	77,270	40,418	57,080,295
At 1 January 2017							
At 1 January 2017:							
Cost or valuation	57,900,000	370,000	939,177	850,816	924,545	1,599,052	62,583,590
Accumulated depreciation	–	(123,333)	(867,725)	(516,993)	(834,403)	(1,495,176)	(3,837,630)
Net carrying amount	57,900,000	246,667	71,452	333,823	90,142	103,876	58,745,960
At 1 January 2017, net of accumulated depreciation	57,900,000	246,667	71,452	333,823	90,142	103,876	58,745,960
Additions	–	–	–	385,569	2,749	37,500	425,818
Disposals	(11,000,000)	–	(796)	–	–	–	(11,000,796)
Depreciation provided during the year	(1,741,365)	(92,499)	(20,892)	(161,954)	(35,315)	(61,721)	(2,113,746)
Gain on revaluation	4,641,365	–	–	–	–	–	4,641,365
At 31 December 2017, net of accumulated depreciation	49,800,000	154,168	49,764	557,438	57,576	79,655	50,698,601
At 31 December 2017:							
Cost or valuation	49,800,000	370,000	938,381	1,236,385	927,294	1,636,552	54,908,612
Accumulated depreciation	–	(215,832)	(888,617)	(678,947)	(869,718)	(1,556,897)	(4,210,011)
Net carrying amount	49,800,000	154,168	49,764	557,438	57,576	79,655	50,698,601

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The leasehold land and buildings of the Group are held in Hong Kong under finance lease and consisted of a carparking space and a commercial property (2017: a carparking space and a commercial property) and they are carried at fair value. Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$11,865,208 as at 31 December 2018 (2017: HK$12,281,531).

The fair value of the carparking space with carrying amount of HK$2,850,000 (2017: HK$2,000,000) was measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustments. Apart from that, the fair values of all other properties were determined by using a market comparison approach by referencing to recent sales price of comparable properties on a price per square metre basis. As at the date of the revaluation on 31 December 2018, the fair values of these properties are based on the valuations performed by C S Surveyors Limited (a member of the Hong Kong Institute of Surveyors), an independent professionally qualified valuer. The address of C S Surveyors Limited is 1/F, Kimley Commercial Building, 142-146 Queen's Road Central, Hong Kong.

Revaluation surplus of HK$7,789,322 (2017: HK$4,641,365) was recognised in the property revaluation reserve and in other comprehensive income for the year ended 31 December 2018.

At 31 December 2018, the Group's land and buildings with a net carrying amount of HK$53,000,000 (2017: HK$47,800,000) were pledged to secure general banking facilities granted to the Group, as further detailed in note 26 to the financial statements.

All other property, plant and equipment are stated at cost less accumulated depreciation.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's property, plant and equipment:

	Fair value measurements categorised into			
	(Level 1)	(Level 2)	(Level 3)	Total
Fair value measurement for:	HK$	HK$	HK$	HK$
31 December 2018				
– Commercial – Hong Kong	**–**	**–**	**53,000,000**	**53,000,000**
– Carparking space – Hong Kong	**–**	**2,850,000**	**–**	**2,850,000**
31 December 2017				
– Commercial – Hong Kong	–	–	47,800,000	47,800,000
– Carparking space – Hong Kong	–	2,000,000	–	2,000,000

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during 2018 (2017: Nil).

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property HK$	Residential property HK$
Carrying amount at 1 January 2017	45,000,000	11,000,000
Depreciation for the year	(1,529,370)	(180,328)
Gain on revaluation of land and buildings recognised in other comprehensive income	4,329,370	180,328
Disposal	–	(11,000,000)
Carrying amount at 31 December 2017 and 1 January 2018	47,800,000	–
Depreciation for the year	(1,666,158)	–
Gain on revaluation of land and buildings recognised in other comprehensive income	6,866,158	–
Carrying amount at 31 December 2018	53,000,000	–

On 28 June 2017, the Group has entered into a sale and purchase agreement with a close family member of certain directors (the "Sale and Purchase Agreement") for the disposal of the residential property at HK$11,000,000, which was completed in August 2017.

Apart from the carparking space measured under Level 2 by using the direct comparison method based on market observable transaction of similar properties without any significant adjustments, the fair value of the leasehold land and buildings were measured using the market comparison approach with reference to recent sales price of comparable properties on a price per square foot basis and hence the leasehold land and buildings were classified as Level 3 of the fair value hierarchy.

Below is a summary of the significant unobservable inputs to the valuation of leasehold land and buildings under Level 3:

	2018 HK$	2017 HK$
Price per square foot (range)	**20,424**	18,420

A significant increase in the estimated price per square foot in isolation would result in a significantly higher fair value.

16. INVESTMENT PROPERTY

	2018 HK$	2017 HK$
Non-current assets		
At beginning of year	**10,200,000**	20,200,000
Fair value gains (note 6)	**300,000**	4,500,000
Disposal	**–**	(14,500,000)
At end of year	**10,500,000**	10,200,000

The Group's investment property consist of a residential property at Flat D2, 9/F, King's View Court 901-907 King's Road, Hong Kong.

The directors of the Company engaged an external valuer for the valuation of the Group's property semi-annually. The selection criteria for the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

The Investment property was revalued on 31 December 2018 and 2017 based on a valuation performed by C S Surveyors Limited, an independent professionally qualified valuer, at HK$10,500,000 and HK$10,200,000, respectively.

The investment property is leased to a third party under operating leases, further summary details of which are included in note 33(a) to the financial statements.

At 31 December 2018, the Group's investment property with a total carrying amount of HK$10,500,000 (2017: HK$10,200,000) was pledged to secure general banking facilities granted to the Group as further detailed in note 26 to the financial statements.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's investment property:

	Fair value measurements categorised into			
Fair value measurement for:	(Level 1) HK$	(Level 2) HK$	(Level 3) HK$	Total HK$
31 December 2018				
– Residential – Hong Kong	**–**	**–**	**10,500,000**	**10,500,000**
31 December 2017				
– Residential – Hong Kong	–	–	10,200,000	10,200,000

There were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 during 2018 (2017: Nil).

16. INVESTMENT PROPERTY *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property HK$	Residential property HK$
Carrying amount at 1 January 2017	11,000,000	9,200,000
Net gain from fair value adjustment recognised as other gains in profit or loss	3,500,000	1,000,000
Disposal	(14,500,000)	–
Carrying amount at 31 December 2017 and 1 January 2018	–	10,200,000
Net gain from fair value adjustment recognised as other gains in profit or loss	–	300,000
Carrying amount at 31 December 2018	–	10,500,000

On 20 March 2017, the Group has entered into a sale and purchase agreement with a third party for the disposal of the commercial property at HK$14,500,000, which was completed in July 2017.

The fair value of the investment property was measured using the market comparison approach with reference to recent sales price of comparable properties on a price per square foot basis and hence the investment property were classified as Level 3 of the fair value hierarchy.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment property:

	2018 HK$	2017 HK$
Price per square foot (range)	**15,262**	14,826

A significant increase in the estimated price per square foot in isolation would result in a significantly higher fair value.

17. INTANGIBLE ASSETS

	Notes	**2018 HK$**	2017 HK$
Trading right	a	**1**	1
Software	b	**600,000**	–
		600,001	1

Note:

(a) The trading right is of an indefinite useful life and represents Exchange Trading Right in the Stock Exchange held by a subsidiary of the Group. The trading right has no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading right is considered by management as having indefinite useful lives because it is expected to contribute net cash inflows indefinitely.

17. INTANGIBLE ASSETS *(Continued)*

(b) The movements on the software are as follows:

	Software HK$
31 December 2018	
At 1 January 2018:	
Cost and net carrying amount	–
At 1 January 2018, net of accumulated amortisation	–
Additions	800,000
Amortisation provided during the year	(200,000)
At 31 December 2018, net of accumulated amortisation	600,000
At 31 December 2018	
Cost	800,000
Accumulated amortisation	(200,000)
Net carrying amount	600,000
31 December 2017	
At 1 January 2017 and 31 December 2017:	
Cost and net carrying amount	–

18. OTHER ASSETS

	2018 HK$	2017 HK$
Hong Kong Securities Clearing Company Limited ("HKSCC")		
– guarantee fund deposit	100,000	100,000
– admission fee	100,000	100,000
The Stock Exchange of Hong Kong		
– compensation fund deposit	100,000	100,000
– fidelity fund deposit	100,000	100,000
– stamp duty deposit	150,000	75,000
Long-term prepayments	107,661	–
	657,661	475,000

19. ACCOUNTS RECEIVABLE

	Notes	2018 HK$	2017 HK$
Margin client receivables	a	**147,481,956**	96,225,363
Cash client receivables	b	**27,597,090**	19,903,965
		175,079,046	116,129,328
Less: Allowance for ECL	f	**(351,917)**	–
		174,727,129	116,129,328
Clearing house receivables	c	**36,065,917**	7,369,383
Broker receivables	d	**48,539,662**	200,647,222
Placing commission receivables	e	**779,840**	–
		85,385,419	208,016,605
Total accounts receivable		**260,112,548**	324,145,933

Notes:

(a) Margin client receivables

At 31 December 2018, the Group held securities (excluding bonds) with an aggregate fair value of HK$351,454,304 (2017: HK$342,154,670) and bonds with an aggregate fair value of HK$10,823,720 (2017: HK$7,168,509) as collaterals over net margin client receivables. All margin client receivables are repayable on demand and bear interest at commercial rates. The collateral held can be sold at the Group's discretion to settle any outstanding amount owned by margin clients.

No ageing analysis is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the nature of securities margin business.

(b) Cash client receivables

All cash client receivables bear interest at commercial rates. The settlement terms of receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are within two days after trade date.

19. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) Cash client receivables *(Continued)*

The ageing analysis of cash client receivables at the end of each reporting period based on due date and before net of credit loss allowance is as follows:

	2018 HK$	2017 HK$
Cash client receivables		
Within 2 days	**21,248,327**	18,475,868
Past due		
– Over 2 days but less than 1 month	**5,257,450**	1,113,490
– Over 1 month but less than 3 months	**360,797**	945
– Over 3 months but less than 12 months	**393,195**	3,980
– Over 12 months but less than 2 years	**43,745**	6,283
– Over 2 years	**293,576**	303,399
	27,597,090	19,903,965

Management assesses the fair value of the securities maintained by the Group of each individual client who has shortfall and provision for impairment losses of HK$22,576 was made as at 31 December 2018 (2017: Nil).

(c) Clearing house receivables

The ageing analysis of clearing house receivables at the end of each reporting period based on due date and before net of loss allowance is as follows:

	2018 HK$	2017 HK$
Clearing house receivables		
Within 2 days	**36,065,917**	7,369,383

As at 31 December 2018, included in receivable from clearing houses was a net receivable from HKSCC of HK$36,065,917 (2017: HK$7,369,383), with legally enforceable right to set off the corresponding receivable and payable balances. Details of the offsetting of these balances are set out in note 32 to the financial statements.

(d) Broker receivables

Broker receivables are arising from the business dealing in securities related to unsettled trades and balances placed with the brokers. The ageing of broker receivables on the trade date are within one month.

(e) Placing commission receivables

Placing commission receivables are neither past due nor impaired. The ageing of placing commission receivables based on the trade date is within one month.

19. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(f) Impairment

Impairment under HKFRS 9 for the year ended 31 December 2018

An analysis of changes in the corresponding ECL allowances is as follows:

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 1 January 2018	41,250	–	–	41,250
Transfer to stage 2	(58)	58	–	–
Transfer to stage 3	(23,060)	–	23,060	–
Change arising from transfer of stages	–	176	65,274	65,450
Other remeasurement of loss allowance	245,217	–	–	245,217
As at 31 December 2018	263,349	234	88,334	351,917
Arising from:				
Margin client receivables	21,103	234	65,758	87,095
Cash client receivables	242,246	–	22,576	264,822
	263,349	234	88,334	351,917
ECL rate				
Margin client receivable	0.01%	0.01%	91.51%	0.06%
Cash client receivables	0.88%	N/A	100.00%	0.96%

The following significant changes in the gross carrying amounts of margin client and cash client receivables contributed to the increase in the loss allowance during 2018:

- Transfer of client receivables of HK$3,571,134 from stage 1 to stage 2 and HK$94,438 from stage 1 to stage 3, resulting in an increase in loss allowance of HK$176 and HK$65,274 respectively; and
- Increase in margin receivables of HK$51,256,593, which was included origination of new client receivables and new drawdown from existing clients.

19. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(f) Impairment *(Continued)*

Impairment under HKFRS 9 for the year ended 31 December 2018 (Continued)

For all stage 3 gross margin client and cash client receivables amounted to HK$94,438, the fair value of marketable securities held by the Group for these customers, which mitigating a certain extent of credit risk, were amounted to HK$6,104.

Other than the margin client and cash client receivables, no credit loss allowance has been provided for other accounts receivable as the related credit loss allowances were immaterial.

Impairment under HKAS 39 for the year ended 31 December 2017

Margin client receivables

Management has assessed the market value of the pledged securities of each individual client at the end of each reporting period and considered that no impairment allowance is necessary.

Cash client and clearing house receivables

Receivables that were neither past due nor impaired represent unsettled trades transacted on the last two days prior to the end of each reporting period and also relates to a wide range of independent clients for whom there are no recent history of default.

Receivables that were past due but not impaired relate to a number of independent clients that have a good track record with the Group. The Group will also consider the value of pledged securities of respective clients' assets for impairment assessment as the proceeds upon selling the respective securities can be used to settle the outstanding balances. Based on past experience, management believes that no impairment allowance is necessary after taking into consideration the recoverability from the collateral. In the opinion of the directors, all the past due receivables are expected to be recovered.

Broker receivables

The broker receivables are neither past due nor impaired and are repayable on the settlement date of their respective trade dates, normally two or three business dates after the respective trade date.

20. PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2018 HK$	2017 HK$
Prepayments, other debtors and deposits		**1,826,855**	1,863,723
Deferred listing expenses		**–**	1,930,166
Due from a related company	a & 34	**1,096**	1,086
Due from holding company	b	**57,733**	45,058
Due from a director	c	**304,219**	–
Total prepayments other receivables		**2,189,903**	3,840,033

As at 31 December 2018, none of the other receivables were impaired (2017: Nil).

Notes:

(a) Particulars of an amount due from a related company are as follows:

Name	31 December 2018 HK$	Maximum amount outstanding during the year HK$	31 December 2017 and 1 January 2018 HK$	Maximum amount outstanding during the year HK$	1 January 2017 HK$
Victory Insurance Consultants Limited*	1,096	14,976	1,086	10,074	–
Total	1,096	14,976	1,086	10,074	–

* Kou Kuen is the common shareholder and has significant influence over the Group and the related companies during the years ended 31 December 2018 and 2017.

The amount due from Victory Insurance Consultants Limited is in the form of current account advances which is interest-free, unsecured and has no fixed terms of repayment.

(b) The amount due from holding company is non-trade in nature, interest-free, unsecured and has no fixed terms of repayment.

20. PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Particulars of an amount due from a director are as follows:

Name	31 December 2018 HK$	Maximum amount outstanding during the year HK$	31 December 2017 and 1 January 2018 HK$	Maximum amount outstanding during the year HK$	1 January 2017 HK$
Kou Kuen	304,219	304,219	–	24,500	24,500
Total	304,219	304,219	–	24,500	24,500

The amount due from a director is in the form of current account advances which are non-trade in nature, interest-free, unsecured and have no fixed terms of repayment.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2018 HK$	2017 HK$
Investments designated at fair value through profit or loss:			
Listed equity securities – Hong Kong	(i)	**10,504,723**	12,970,426
Convertible bonds issued by a listed company in Hong Kong	(ii)	**5,000,000**	–
		15,504,723	12,970,426

The above investments at 31 December 2018 were classified as financial assets at fair value through profit or loss as they were held for trading.

(i) The fair values of these listed equity investments are determined based on quoted market prices.

(ii) The convertible bonds issued by a listed company in Hong Kong was mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair value of the convertible bonds as at 31 December 2018 was determined with reference to a valuation prepared by an independent professionally qualified valuer, International Valuation Limited. Disclosures of the fair value measurement and significant unobservable inputs are set out below:

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Level 3	Binomial Lattice Model	Discount rate of 9.17%	5% increase or decrease in discount rate, the fair value would be decreased by HK$143,668 or increased by HK$156,331

As at 31 December 2018, listed equity securities with carrying value of HK$10,278,123 (2017: HK$10,567,746) were pledged to secure banking facilities granted to the Group as further detailed in note 26 to the financial statements.

22. CASH AND CASH EQUIVALENTS

	2018 HK$	2017 HK$
Bank balances	**2,956,363**	8,993,623
Time deposit	**12,464,070**	–
Cash in hand	**5,049**	5,666
Total cash and cash equivalents	**15,425,482**	8,999,289
Denominated in:		
Hong Kong Dollars	**12,024,629**	3,166,017
Renminbi	**967,577**	1,260,726
United States Dollars	**2,281,594**	4,528,620
Others	**151,682**	43,926

Cash at banks earns interest at floating rates based on daily bank deposit rates. A short term time deposit is made for a period of one month, and earns interest at the respective short term time deposit rate. The bank balances and time deposit are deposited with creditworthy banks with no recent history of default.

The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business. At 31 December 2018, client money maintained in segregated accounts not otherwise dealt with in the financial statements amounted to HK$141,085,683 (2017: HK$305,186,305).

23. ACCOUNTS PAYABLE

	2018 HK$	2017 HK$
Margin and cash client payables	**61,555,910**	202,025,329
Due to clearing house	**4,352,876**	1,590,602
	65,908,786	203,615,931

The settlement terms of accounts payable arising from client businesses are normally two to three days after trade date or at specific terms agreed with clearing house. The majority of the accounts payable to margin and cash clients are repayable on demand except where certain balances represent trades pending settlement or margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the amounts in excess of the required margin deposits and cash collateral are repayable on demand.

No ageing analysis is disclosed for accounts payable as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

As at 31 December 2018, included in payable to clearing houses was a net payable to HKSCC of HK$4,352,876 (2017: HK$1,590,602) with legally enforceable right to set off the corresponding receivable and payable balances. Details of the offsetting of these balances are set out in note 32 to the financial statements.

24. OTHER PAYABLES AND ACCRUALS

Other payables are non-interest-bearing and have an average settlement term of one month.

25. PROVISIONS

	Provision for loss on guaranteed contracts with customers HK$	Other provisions HK$	Total HK$
At 1 January 2017	1,543,657	219,150	1,762,807
(Reversal of)/additional provision	(151,843)	34,174	(117,669)
At 31 December 2017 and 1 January 2018	1,391,814	253,324	1,645,138
Additional/(reversal of) provision	1,090,953	(55,661)	1,035,292
At 31 December 2018	2,482,767	197,663	2,680,430

The Group entered into loss protection discretionary account management agreements with 2 customers for asset management services provided during the year ended 31 December 2018 (2017: 3 customers). The amount of the provision for loss on guaranteed contracts with customers is estimated based on the fair value of the portfolio of assets held at the end of the reporting period. The remaining guaranteed contracts are expected to expire in 2019.

26. BANK BORROWINGS

	2018 HK$	2017 HK$
Bank loans - secured	76,500,000	47,500,000

At 31 December 2018, bank loans were secured by clients' securities and securities held by the Group amounting to HK$70,959,238 (2017: HK$82,075,884), leasehold land and buildings and investment property of the Group with aggregate carrying value amounting to HK$63,500,000 (2017: HK$58,000,000).

The bank borrowings are repayable within 1 year. The directors consider that the carrying amounts of bank borrowings at the financial year end date approximate to their fair values.

The effective interest rates for bank loans are floating ranging from 4.60% to 5.10% (2017: 2.18% to 3.57%) per annum.

At 31 December 2017, Kou Kuen has given personal guarantees to banks to obtain the bank facilities granted to the Group to the extent of HK$190,000,000. The guarantees issued by Kou Kuen have been released upon successful listing of the shares of the Company on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited on 16 July 2018.

27. DEFERRED TAX LIABILITIES

Deferred tax is calculated in full on temporary differences under the liability method using a statutory tax rate of 16.5% (2017: 16.5%). The movements on the deferred tax liabilities for the years ended 31 December 2018 and 2017 are as follows:

	2018			
	Accelerated tax depreciation HK$	Revaluation of properties HK$	Impairment of financial assets HK$	Total HK$
At 1 January 2018	413,218	5,942,976	–	6,356,194
Effect of adoption of HKFRS 9	–	–	(6,806)	(6,806)
Deferred tax charged/(credited) to the statement of profit or loss during the year	184,119	–	(36,685)	147,434
Deferred tax recognised in other comprehensive income	–	1,285,238	–	1,285,238
At 31 December 2018	597,337	7,228,214	(43,491)	7,782,060

	2017			
	Accelerated tax depreciation HK$	Revaluation of properties HK$	Impairment of financial assets HK$	Total HK$
At 1 January 2017	552,638	5,896,728	–	6,449,366
Deferred tax credited to the statement of profit or loss during the year	(139,420)	–	–	(139,420)
Release of deferred tax recognised in other comprehensive income	–	(719,577)	–	(719,577)
Deferred tax recognised in other comprehensive income	–	765,825	–	765,825
At 31 December 2017	413,218	5,942,976	–	6,356,194

28. SHARE CAPITAL

Shares

Authorised shares

As at 31 December 2018, the total authorised number of ordinary shares is 2,000,000,000 shares (2017: 39,000,000 shares) with a par value of HK$0.01 per share (2017: HK$0.01 per share).

Issued and fully paid

	2018 HK$	2017 HK$
Issued and fully paid:		
200,000,000 (2017: 19,500) ordinary shares	**1,999,998**	193

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital HK$
Issued of shares at incorporation	a	50,000	193
As at 1 January 2017		50,000	193
Share allotment on 14 September 2017	b	19,500	193
Share repurchase on 14 September 2017	b	(50,000)	(193)
As at 31 December 2017 and 1 January 2018		19,500	193
Capitalisation issue of shares	c	149,980,500	1,499,805
Issue of shares by placing	d	50,000,000	500,000
As at 31 December 2018		200,000,000	1,999,998

(a) On 22 August 2016, one initial share was allotted and issued at par to an independent third party as the initial subscriber and was subsequently transferred to Dr. TT Kou's Family Company Limited, the immediate holding company of the Company, on the same date. On the same date, 49,999 shares were allotted and issued to this holding company. As at 31 December 2016, the Company had authorised share capital of US$50,000 divided into 100,000,000 ordinary shares with a par value of US$0.0005 each.

28. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Issued and fully paid (Continued)

Notes:

(b) Pursuant to the resolution passed at the board meeting dated 14 September 2017, the authorised share capital of the Company was increased from US$50,000 divided into 100,000,000 shares each with a par value of US$0.0005 to the aggregate of US$50,000 and HK$390,000 by creation of an additional 39,000,000 shares each with a par value of HK$0.01. On the same date, the Company allotted and issued 19,500 shares of HK$0.01 par value each to Dr.TT Kou's Family Company Limited, immediately followed by the repurchase of 50,000 shares each with a par value of US$0.0005 each held by Dr.TT Kou's Family Company Limited. On the same date, the authorised share capital of the Company was reduced by cancellation of 100,000,000 shares of US$0.0005 par value each, such that the authorised share capital of the Company became HK$390,000 divided into 39,000,000 shares of HK$0.01 par value each. As at 31 December 2017, 19,500 ordinary shares with a par value of HK$0.01 each were issued.

(c) Pursuant to the resolution passed by the shareholder on 16 July 2018, a total of 149,980,500 shares are allotted and issued at par to Dr. TT Kou's Family Company Limited and credited as fully paid by way of capitalisation of HK$1,499,805 standing to the credit of the share premium account of the Company upon listing on 16 July 2018.

(d) On 16 July 2018, the Company issued 50,000,000 ordinary shares of HK$0.01 each pursuant to the Company's listing on GEM of the Stock Exchange of Hong Kong Limited by way of share offer at a price of HK$1.25 per offer share.

29. RESERVES

The amounts of the Group's reserves and the movements for the years ended 31 December 2018 and 2017 are presented in the consolidated statements of changes in equity.

Merger reserve

The merger reserve of the Group represents the share capital of the holding company of the Group prior to the completion of the reorganisation on 25 May 2017.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

2018

	1 January 2018 HK$	Net cash inflows HK$	31 December 2018 HK$
Bank borrowings	47,500,000	29,000,000	76,500,000

30. RECONCILATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

2017

	1 January 2017 HK$	Net cash outflows HK$	31 December 2017 HK$
Bank borrowings	57,000,000	(9,500,000)	47,500,000

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments

The Group classified its financial assets in the following categories:

	Financial assets at amortised cost HK$	**Financial assets at fair value through profit or loss HK$**	**Total HK$**
31 December 2018			
Financial assets included in other assets	**550,000**	**–**	**550,000**
Accounts receivable	**260,112,548**	**–**	**260,112,548**
Financial assets at fair value through profit or loss	**–**	**15,504,723**	**15,504,723**
Financial assets included in prepayments and other receivables	**1,706,033**	**–**	**1,706,033**
Cash and cash equivalents	**15,425,482**	**–**	**15,425,482**
Total	**277,794,063**	**15,504,723**	**293,298,786**

	Loans and receivables HK$	Financial assets at fair value through profit or loss HK$	Total HK$
31 December 2017			
Other assets	475,000	–	475,000
Accounts receivable	324,145,933	–	324,145,933
Financial assets at fair value through profit or loss	–	12,970,426	12,970,426
Financial assets included in prepayments and other receivables	1,568,988	–	1,568,988
Cash and cash equivalents	8,999,289	–	8,999,289
Total	335,189,210	12,970,426	348,159,636

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial instruments *(Continued)*

The Group classified its financial liabilities in the following categories:

	Financial liabilities at amortised cost HK$
31 December 2018	
Accounts payable	**65,908,786**
Other payables and accruals	**4,219,286**
Bank borrowings	**76,500,000**
	146,628,072
31 December 2017	
Accounts payable	203,615,931
Other payables and accruals	5,680,870
Bank borrowings	47,500,000
	256,796,801

(b) Financial risk factors

The Group's principal financial instruments comprise, financial assets at fair value through profit or loss, accounts receivable, cash and cash equivalents, accounts payable and bank borrowings. The Group has various other financial assets and liabilities such as other assets, financial assets included in prepayments and other receivables and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign exchange risk, cash flow and fair value interest rate risk, equity price risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(i) Market risk

(1) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables/payables from/to foreign brokers and foreign currency deposits with banks. The directors consider that the currency risk is not significant as the assets and liabilities are mainly denominated in United States dollars and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy, however, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the needs arise.

The Group is mainly exposed to currency risk arisen from Renminbi ("RMB"). As at 31 December 2018, if RMB had strengthened or weakened by 50 basis points against HK$ with all other variables held constant, the Group's profit before tax would have increased or decreased by HK$88,000 (2017: HK$99,000), respectively, mainly as a result of foreign exchange impact arising from net position of RMB denominated assets and liabilities.

(2) Cash flow and fair value interest rate risk

The Group monitors its interest rate exposure regularly to ensure that the underlying risk is monitored within an acceptable range. Most of the Group's interest-bearing assets and liabilities are on a floating rate basis with maturity of one year or less.

The Group's interest rate positions arise from treasury and operating activities. Interest rate risk arises in treasury management, customer financing and investment portfolios. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. It also relates to the bank borrowings carried interest at variable rates which are collateralised by margin clients' securities to mitigate the cash flow interest risk.

At 31 December 2018, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease profit for the year and retained profits by HK$1,034,000 (2017: HK$780,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 1% increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(i) Market risk (Continued)

(3) Price risk

The Group is exposed to equity price risk through investments in equity securities. The Group is not exposed to commodity price risk. The directors manages the exposure by closely monitoring the portfolio of equity investments. The management of the Group manages the risk exposure by closely monitoring the investment and will consider hedging the risk exposure should the needs arise.

The management of the Group has utilised the effect of stock price variation on profit to manage and analyse price risk. If the equity prices of the financial assets at fair value through profit and loss had been 5% higher/lower, with all other variables held constant, the Group's profit after tax for the year would have increased/ decreased approximately by HK$775,000 for the year ended 31 December 2018 (2017: HK$649,000).

(ii) Credit risk

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk of margin client and cash client receivables based on the Group's credit policy, which is mainly based on LTV and past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are carrying amounts for margin client and cash client receivables.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Simplified approach HK$	HK$
Margin client receivables					
– LTV at 80% or above	26,672,490*	–	6,104	–	26,678,594
– LTV between 70% and 79%	15,887,103	1,231,963	–	–	17,119,066
– LTV between 60% and 69%	20,084,301	–	–	–	20,084,301
– LTV less than 60%	81,173,963	2,338,937	–	–	83,512,900
	143,817,857	3,570,900	6,104	–	147,394,861
Cash client receivables					
– Not yet past due	21,106,882	–	–	–	21,106,882
– Less than 30 days past due	5,223,843	–	–	–	5,223,843
– 30 days to 90 days past due	355,923	–	–	–	355,923
– More than 90 days past due	645,620	–	–	–	645,620
	27,332,268	–	–	–	27,332,268
	171,150,125	3,570,900	6,104	–	174,727,129

* The management of the Company considered all available material information without undue cost or effort and determined these exposures to be classified as stage 1.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

Maximum exposure and year-end staging as at 31 December 2018 (Continued)

For other financial assets, the maximum exposure to credit risk is arising from the carrying amount recognised respectively and stated in the consolidated statement of financial position. Except for the placing commission receivables which are under the simplified approach, all remaining financial assets are classified as stage 1 under the general approach.

Maximum exposure as at 31 December 2017

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible to compile the credit and risk management policies, to approve credit limits and determine any debt recovery action on those delinquent receivables. In addition, the Group holds collateral, which is valued on a daily basis for marketable securities, to cover its credit risk associated with its accounts receivable from margin clients as mentioned in note 19 to the financial statements and reviews the recoverable amount for each individual account receivable at each reporting date to ensure that adequate allowance for impairment is made for irrecoverable amounts. The credit risk on liquid funds is also limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the directors of the Company consider that the Group's credit risk is effectively controlled and significantly reduced.

Concentration of risks of accounts receivable with credit risk exposure

At 31 December 2018, the Group has concentration of credit risk on accounts receivable where 23% (2017: 7%) of the total accounts receivable were due from the five largest customers (excluding brokers) and 13% (2017: 62%) of the total accounts receivable was due from a broker, which is registered with the United States Securities and Exchange Commission as a broker dealer. In the opinion of the directors, the concentration of risk of accounts receivable is manageable.

(iii) Liquidity risk

As part of its ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing house, brokers and clients. To address the risk, management is responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with regulatory requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meets its liquidity requirements in the short and longer term.

As at 31 December 2018, the Group's available unutilised bank overdrafts and revolving loan facilities aggregated to approximately HK$113,500,000 (2017: HK$142,500,000).

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(iii) Liquidity risk (Continued)

The tables below present the cash flows payable by the Group within the remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from the interest rate at the end of each financial years.

	Total carrying amount HK$	Total contractual undiscounted cash flow HK$	Over one year HK$	On demand or within one year HK$
31 December 2018				
Accounts payable	**65,908,786**	**65,908,786**	**–**	**65,908,786**
Other payables and accruals	**4,219,286**	**4,219,286**	**–**	**4,219,286**
Bank borrowings	**76,500,000**	**76,553,380**	**–**	**76,553,380**
	146,628,072	**146,681,452**	**–**	**146,681,452**
31 December 2017				
Accounts payable	203,615,931	203,615,931	–	203,615,931
Other payables and accruals	5,680,870	5,680,870	–	5,680,870
Bank borrowings	47,500,000	47,530,238	–	47,530,238
	256,796,801	256,827,039	–	256,827,039

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(Continued)

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between a higher shareholder's return that might be possible with higher levels of borrowings and the advantages of a higher capital position, and makes adjustments to the capital structure in light of changes in economic conditions. No changes in the objectives, polices or processes for managing capital were made during the reporting period.

The Group is not subject to any externally imposed capital requirements by regulatory authorities except for the subsidiary engaged in securities broking and placing and underwriting services, financing services, and assets management services, which is regulated by the Hong Kong Securities and Futures Commission. The subsidiary monitors its liquid capital on a daily basis to ensure fulfilment of minimum and notification level of the liquid capital requirements under the Hong Kong Securities and Futures Ordinance, which is the higher of the floor requirement of HK$3 million or 5% of the aggregate of its adjusted liabilities and clients' margin.

During the reporting period, for the subsidiary, which is subject to minimum capital requirements imposed by respective regulatory authorities, complied with all minimum capital requirements.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurements categorised into			
	(Level 1)	(Level 2)	(Level 3)	Total
Fair value measurement for:	HK$	HK$	HK$	HK$
31 December 2018				
– Financial assets at fair value through profit or loss	**10,504,723**	**–**	**5,000,000**	**15,504,723**
31 December 2017				
– Financial assets at fair value through profit or loss	12,970,426	–	–	12,970,426

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

(ii) Fair value of financial assets and liabilities not measured at fair value

The carrying amounts of the Group's financial assets and liabilities, including other assets, accounts receivable, other receivables, cash and cash equivalents, accounts payable, other payables and accruals and bank borrowings, approximate their fair values due to their short maturities.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(iii) The movements in fair value measurements within Level 3 during the year are as follows:

	2018 HK$
Convertible bonds issued by a listed company in Hong Kong	
At 1 January	–
Purchases	5,000,000
At 31 December	5,000,000

At 31 December 2017, there was no financial asset measured as Level 3.

32. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set-off the Continuous Net Settlement ("CNS") money obligations receivable and payable with HKSCC; and the Group intends to settle on a net basis as accounts receivable from or accounts payable to HKSCC. For the net amount of CNS money obligations receivable or payable with HKSCC and Guarantee Fund placed with HKSCC, they do not meet the criteria for offsetting in the financial statements and the Group does not intend to settle the balances on a net basis.

				Related amounts not offset in the statement of financial position	
	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities offset in the statement of financial position HK$	Net amount of financial assets presented in the statement of financial position HK$	Cash collateral received HK$	Net amount HK$
As at 31 December 2018					
Account receivable due from clearing house	**108,800,228**	**(72,734,311)**	**36,065,917**	**–**	**36,065,917**
As at 31 December 2017					
Account receivable due from clearing house	602,044,514	(594,675,131)	7,369,383	–	7,369,383

32. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets offset in the statement of financial position HK$	Net amount of financial liabilities presented in the statement of financial position HK$	Related amounts not offset in the statement of financial position: Cash collateral pledged HK$	Net amount HK$
As at 31 December 2018					
Account payable due to clearing house	**77,087,187**	**(72,734,311)**	**4,352,876**	**–**	**4,352,876**
As at 31 December 2017					
Account payable due to clearing house	596,265,733	(594,675,131)	1,590,602	–	1,590,602

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor:

The Group leases its investment property (note 16) under an operating lease arrangement, with the lease negotiated for a term of 2 years. The term of the lease also requires the tenant to pay security deposits.

At 31 December 2018, the Group had a total future minimum lease receivable under a non-cancellable operating lease with its tenant falling due as follows:

	2018 HK$	2017 HK$
Within one year	**125,000**	300,000
In the second to fifth year inclusive	**–**	125,000
	125,000	425,000

(b) As lessee:

The Group leases an office premise and a carparking space under operating lease arrangements. The lease for the office premise is negotiated for a term of 3 years. The lease for the carparking space is negotiated for a term of 1 year.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$	2017 HK$
Within one year	**526,400**	480,000
In the second to fifth year inclusive	**80,000**	560,000
	606,400	1,040,000

34. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Details of the Group's significant transactions with the following related parties together with balances with them are as follows:

	Notes	2018 HK$	2017 HK$
Close family members of Kou Kuen, Chan Ying Kit and Chan Pui Chuen:			
Brokerage income	a	4,562	585
Commission expenses	a	–	(5,239)
Interest income	b	–	31
Interest expense	b	(61)	–
Salaries, bonuses and contributions to retirement schemes	c	–	(227,445)
Proceeds from disposal of land and buildings	e	–	11,000,000
Key management personnel:			
Brokerage income	a	84,812	43,802
Commission expenses	a	(5,275,622)	(1,261,673)
Interest income	b	513,778	149
Interest expense	b	(420)	(153)
Related companies:			
Victory Global Trustee Company Limited			
– Brokerage income	a	350,465	–
– Interest income	b	185,713	–
– Asset management fee	f	10,000	–
Victory Financial Group Company Limited			
– Share of rental expenses	d	–	46,400
– Share of office management fee	d	–	10,000
– Share of office expenses	d	–	11,000
Victory Corporate Solutions Company Limited			
– Purchase of an intangible asset	g	800,000	–

Notes:

(a) The brokerage income and commission expense were based on terms stipulated on the agreements entered between the contracting parties. The commission expense was part of the remuneration of these related parties.

(b) The interest income received from and interest expense paid to securities financing were based on the rates which are substantially in line with those normally received by the Group from third parties.

(c) The salaries, bonuses and contributions to retirement schemes were based on terms stipulated on the employment contracts entered between the contracting parties.

(d) Pursuant to a cost-sharing agreement made between the Group and Victory Financial Group Company Limited ("VFGCL"), VFGCL agreed to share rental expense and office management fee of HK$46,400 and HK$10,000 per month, respectively, in respect of the office area occupied by VFGCL; and VFGCL agreed to pay the Group HK$11,000 per month in respect of the costs incurred relating to the office. The arrangement was terminated in February 2017.

(e) On 28 June 2017, the Group has entered into a Sale and Purchase Agreement with a close family member of Kou Kuen and Chan Ying Kit for the disposal of the residential property at HK$11,000,000, which was completed in August 2017. The transaction price was determined with reference to the valuation performed by an independent qualified valuer.

34. TRANSACTIONS AND BALANCES WITH RELATED PARTIES *(Continued)*

Notes:

(f) The asset management fee was based on terms stipulated on the agreement entered between the contracting parties.

(g) On 29 March 2018, Victory Securities Company Limited, one of the subsidiaries, as licensee, and Victory Corporate Solutions Company Limited, as licensor, entered into a software licence agreement, pursuant to which Victory Corporate Solutions Company Limited has granted a non-exclusive right to Victory Securities Company Limited to use a system software at consideration of HK$800,000 commencing from 1 April 2018.

Included in accounts receivable/payable and other receivables/payables arising from the ordinary course of business of dealing in securities are amounts due from and (to) certain related parties, the details of which are as follows:

	31 December	
	2018	2017
	HK$	HK$
Close family members of Kou Kuen, Chan Ying Kit and Chan Pui Chuen:		
Accounts payable	**(48,556)**	–
Key management personnel:		
Accounts receivable	**8,991,543**	5,165,800
Accounts payable	**(11,140)**	(663,508)
Other receivables	**304,219**	–
Victory Global Trustee Company Limited		
Accounts receivable	**1,618,416**	–
Victory Insurance Consultants Limited		
Other receivables	**1,096**	1,086
Dr. TT Kou's Family Company Limited		
Other receivables	**57,733**	45,058

The directors of the Company are of the opinion that the above transactions were entered into during the Group's ordinary course of business and at terms agreed by both parties. Accounts receivable and accounts payable terms are substantially in line with those normally offered by the Group to third parties.

Except for the accounts receivable and accounts payable and the loan terms as mentioned above, other balances are unsecured, interest-free and have no fixed repayment terms.

At 31 December 2017, Kou Kuen has given personal guarantees to banks to obtain the bank facilities granted to the Group to the extent of HK$190,000,000. The guarantees issued by Kou Kuen have been released upon successful listing of the shares of the Company on the GEM of the Stock Exchange of Hong Kong Limited on 16 July 2018.

35. EVENTS AFTER THE REPORTING PERIOD

On 18 January 2019, the Company has granted share options (the "Options") to certain eligible employees to subscribe for a total of 1,737,000 ordinary shares of HK$0.01 each of the Company under the share option scheme adopted by the Company on 14 June 2018. Details of the Options are set out in the announcement of the Company dated 18 January 2019.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 HK$	2017 HK$
NON-CURRENT ASSETS		
Investment in a subsidiary	**386,175**	386,175
CURRENT ASSETS		
Prepayments and other receivables	**54,624**	–
Due from immediate holding company	**193**	193
Due from subsidiaries	**52,774,922**	–
Bank balances	**1,248**	1,325
Total current assets	**52,830,987**	1,518
CURRENT LIABILITIES		
Due to subsidiaries	**–**	387,500
NET CURRENT ASSETS/(LIABILITIES)	**52,830,987**	(385,982)
Net assets	**53,217,162**	193
EQUITY		
Share capital	**1,999,998**	193
Share premium	**53,672,685**	–
Accumulated loss	**(2,455,521)**	–
TOTAL EQUITY	**53,217,162**	193

Ms. KOU Kuen	**Mr. CHIU Che Leung Stephen**
Executive Director	*Executive Director*

37. RESERVES OF THE COMPANY

A summary of the Company's reserves is as follows:

	Share premium HK$	Accumulated losses HK$	Total HK$
At 1 January 2017	–	–	–
Profit and total comprehensive income for the year	–	4,000,000	4,000,000
Special dividend	–	(4,000,000)	(4,000,000)
At 31 December 2017 and 1 January 2018	–	–	–
Profit and total comprehensive income for the year	–	7,544,479	7,544,479
Capitalisation issue	(1,499,805)	–	(1,499,805)
Issue of ordinary shares through placing	62,000,000	–	62,000,000
Share issue expenses	(6,827,510)	–	(6,827,510)
Interim dividend	–	(2,000,000)	(2,000,000)
Special dividend	–	(8,000,000)	(8,000,000)
As at 31 December 2018	53,672,685	(2,455,521)	51,217,164

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2019.

FINANCIAL SUMMARY

RESULTS	For the year ended 31 December 2016 HK$	2017 HK$	**2018 HK$**
Revenue	30,234,835	56,433,162	**64,906,137**
Profit before tax	8,862,671	21,228,647	**9,301,128**
Income tax expense	(1,768,473)	(3,575,564)	**(2,175,575)**
Profit for the year	7,094,198	17,653,083	**7,125,553**

ASSETS AND LIABILITIES	As at 31 December 2016 HK$	2017 HK$	**2018 HK$**
Total assets	235,883,594	411,329,283	**362,070,613**
Total liabilities	100,169,071	267,866,560	**158,032,151**
Net assets	135,714,523	143,462,723	**204,038,462**