

INTERIM REPORT

2019



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

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

LEGAL ADVISERS

As to Hong Kong law:

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5/F., Gloucester Tower, The Landmark,
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As to Cayman Islands law:

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AUDITOR

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Certified Public Accountants
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COMPLIANCE ADVISER

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JOINT COMPANY SECRETARIES

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

PRINCIPAL BANKER

Chong Hing Bank Limited

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cricket Square, Grand Cayman KY1-1001,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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COMPANY'S WEBSITE

<https://www.victorysec.com.hk>

STOCK CODE

8540

FINANCIAL HIGHLIGHTS

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
Revenue	16,080,217	13,270,139	30,671,603	33,887,223
Other operating expenses	4,099,009	6,679,839	8,152,408	11,339,578
Profit for the period	2,832,273	80,941	7,796,135	8,065,270
Basic and diluted earnings per share (in HK cents)	1.42	0.05	3.90	5.38

Revenue for the six months ended 30 June 2019 was approximately 9.5% lower than the six months ended 30 June 2018, reflecting the decrease in revenue contributed by placing and underwriting services and decrease in brokerage income due to decrease in turnover volume of the Hong Kong stock market for the period ended 30 June 2019.

Profit for the six months ended 30 June 2019 decreased by approximately 3.3% as compared to the six months ended 30 June 2018 mainly due to decrease in revenue, which was partly offset by the increase in other income and gains as a result of the increase in fair value gains on financial assets at fair value through profit or loss.

An interim dividend of HK1.20 cents per share was declared for the six months ended 30 June 2019.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2019

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019 HK\$ (unaudited)	2018 HK\$ (unaudited)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
Revenue	5	16,080,217	13,270,139	30,671,603	33,887,223
Other income and gains/(losses), net	6	(756,150)	195,369	1,701,486	1,270,171
		15,324,067	13,465,508	32,373,089	35,157,394
Commission expenses		(2,323,303)	(2,012,157)	(4,397,974)	(5,416,610)
Depreciation		(726,947)	(523,737)	(1,455,663)	(1,038,685)
Staff costs	7	(4,181,291)	(3,262,521)	(8,089,916)	(6,509,617)
Other operating expenses		(4,099,009)	(6,679,839)	(8,152,408)	(11,339,578)
Impairment charge on accounts receivable, net		(57,189)	(106,681)	(43,031)	(106,681)
Share-based payment expenses		(69,887)	—	(132,020)	—
Finance costs	8	(872,233)	(558,119)	(1,448,002)	(940,907)
Profit before tax	9	2,994,208	322,454	8,654,075	9,805,316
Income tax expense	10	(161,935)	(241,513)	(857,940)	(1,740,046)
Profit for the period		2,832,273	80,941	7,796,135	8,065,270
Attributable to:					
Owners of the parent		2,832,273	80,941	7,796,135	8,065,270
Earnings per share attributable to ordinary equity holders of the parent	11				
Basic and diluted (in HK cents)		1.42	0.05	3.90	5.38

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2019

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
		HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)
PROFIT FOR THE PERIOD		2,832,273	80,941	7,796,135	8,065,270
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	13	394,690	4,694,068	934,603	4,694,068
— deferred income tax effect	24	(65,124)	(774,521)	(154,210)	(774,521)
Other comprehensive income for the period, net of tax		329,566	3,919,547	780,393	3,919,547
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,161,839	4,000,488	8,576,528	11,984,817
Attributable to:					
Owners of the parent		3,161,839	4,000,488	8,576,528	11,984,817

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	56,871,076	57,080,295
Investment property	14	10,600,000	10,500,000
Right-of-use assets		302,231	—
Intangible assets	15	808,333	600,001
Other assets		603,933	657,661
Total non-current assets		69,185,573	68,837,957
CURRENT ASSETS			
Accounts receivable	16	222,096,687	260,112,548
Prepayments and other receivables	17	3,551,415	2,189,903
Financial assets at fair value through profit or loss	18	16,256,031	15,504,723
Cash and cash equivalents	19	17,237,956	15,425,482
Total current assets		259,142,089	293,232,656
CURRENT LIABILITIES			
Accounts payable	20	17,977,673	65,908,786
Other payables and accruals	21	3,612,795	4,219,286
Provisions	22	178,987	2,680,430
Bank borrowings	23	87,500,000	76,500,000
Lease liabilities — current		315,638	—
Tax payable		1,036,433	941,589
Total current liabilities		110,621,526	150,250,091
NET CURRENT ASSETS		148,520,563	142,982,565
TOTAL ASSETS LESS CURRENT LIABILITIES		217,706,136	211,820,522
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	7,959,126	7,782,060
Total non-current liabilities		7,959,126	7,782,060
Net assets		209,747,010	204,038,462
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	1,999,998	1,999,998
Reserves		207,747,012	202,038,464
TOTAL EQUITY		209,747,010	204,038,462

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Note	Attributable to owners of the parent					Retained profits HK\$	Total HK\$
		Share capital HK\$	Share premium HK\$	Property revaluation reserve HK\$	Share option reserve HK\$	Merger reserve HK\$		
For the six months ended 30 June 2019								
At 1 January 2019 (audited)		1,999,998	54,980,741	36,579,142	—	100,000,000	10,478,581	204,038,462
Profit for the period		—	—	—	—	—	7,796,135	7,796,135
Other comprehensive income for the period:								
Change in fair value of land and buildings, net of tax		—	—	780,393	—	—	—	780,393
Total comprehensive income for the period		—	—	780,393	—	—	7,796,135	8,576,528
Recognition of share-based payment expenses in respect of share options		—	—	—	132,020	—	—	132,020
Final dividend		—	—	—	—	—	(3,000,000)	(3,000,000)
At 30 June 2019 (unaudited)		1,999,998	54,980,741*	37,359,535*	132,020*	100,000,000*	15,274,716*	209,747,010
For the six months ended 30 June 2018								
At 1 January 2018 (audited)		193	—	30,075,058	—	100,000,000	13,387,472	143,462,723
Impact of adopting HKFRS 9		—	—	—	—	—	(34,444)	(34,444)
Restated opening balance under HKFRS 9 (audited)		193	—	30,075,058	—	100,000,000	13,353,028	143,428,279
Profit for the period		—	—	—	—	—	8,065,270	8,065,270
Other comprehensive income for the period:								
Change in fair value of land and buildings, net of tax		—	—	3,919,547	—	—	—	3,919,547
Total comprehensive income for the period		—	—	3,919,547	—	—	8,065,270	11,984,817
Special dividend	12	—	—	—	—	—	(8,000,000)	(8,000,000)
At 30 June 2018 (unaudited)		193	—	33,994,605*	—	100,000,000*	13,418,298*	147,413,096

* These reserve accounts comprise the consolidated reserves of HK\$207,747,012 as at 30 June 2019 (2018: HK\$147,412,903) on the consolidated statements of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	For the six months ended	
		30 June	2018
		2019	2018
		HK\$	HK\$
		(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(4,886,797)	(45,687,339)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(84,355)	(166,792)
Purchase of an intangible asset	15	(380,000)	(800,000)
Purchase of financial assets at fair value through profit or loss		(9,659,604)	(3,456,749)
Proceeds from disposal of financial assets at fair value through profit or loss		10,033,382	6,622,047
Dividend received		356,900	338
NET CASH FROM INVESTING ACTIVITIES		266,323	2,198,844
FINANCING ACTIVITIES			
Interest paid		(1,327,052)	(908,497)
New bank borrowings		528,341,372	851,989,106
Repayment of bank borrowings		(517,341,372)	(801,265,397)
Payment of lease liabilities		(240,000)	—
Dividend paid		(3,000,000)	(8,000,000)
NET CASH FROM FINANCING ACTIVITIES		6,432,948	41,815,212
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,812,474	(1,673,283)
Cash and cash equivalents at beginning of period		15,425,482	8,999,289
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19	17,237,956	7,326,006
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		6,892,178	4,444,481
Interest paid		111,245	32,410

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the period, the Company's subsidiaries were principally engaged in the businesses of securities brokering and placing and underwriting services, advising on securities 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 period, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Victory Securities Holding Limited	British Virgin Islands/ Hong Kong	US\$50,000	100%	—	Investment holding
Victory Securities Company Limited	Hong Kong	HK\$145,000,000	—	100%	Securities broking and placing and underwriting services, advising on securities services, financing services and asset management services
Victory (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

* Victory (nominees) Limited was under deregistration as at 30 June 2019 and expected to be completed in late 2019.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with HKAS 34 Interim Financial Reporting. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for the investment property, land and buildings classified as property, plant and equipment, and financial assets at fair value through profit or loss which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest dollar except when otherwise indicated.

Basis of consolidation

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

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

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

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

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

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

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

The unaudited condensed consolidated results for the six months ended 30 June 2019 have not been reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Adoption of HKFRS 16

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

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

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

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

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

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

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

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

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

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

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

Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

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

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

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

	Right-of-use assets	Lease liabilities
	HK\$	HK\$
As at 1 January 2019	529,715	545,933
Depreciation charge	(227,484)	—
Interest expense	—	9,705
Payments	—	(240,000)
As at 30 June 2019	302,231	315,638

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, the provision of equity and debt securities placing and underwriting services to listed clients and advising on securities services;
- (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.

For the period ended 30 June 2019

	Services broking services		Financing services		Asset management services		Total	
	For the three months ended 30 June 2019	For the six months ended 30 June 2019	For the three months ended 30 June 2019	For the six months ended 30 June 2019	For the three months ended 30 June 2019	For the six months ended 30 June 2019	For the three months ended 30 June 2019	For the six months ended 30 June 2019
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue	12,548,415	23,725,925	3,363,165	6,619,541	168,637	326,137	16,080,217	30,671,603
Segment results	7,511,824	13,840,025	2,477,179	5,177,477	(212,410)	(464,799)	9,776,593	18,552,703
Other income and gains/(losses), net							(756,150)	1,701,486
Unallocated expenses							(6,026,235)	(11,600,114)
Profit before tax							2,994,208	8,654,075
Other segment information:								
Interest income from clients	—	—	3,363,165	6,619,541	—	—	3,363,165	6,619,541
Finance costs	—	—	(872,233)	(1,448,002)	—	—	(872,233)	(1,448,002)
Commission expenses	(2,323,303)	(4,397,974)	—	—	—	—	(2,323,303)	(4,397,974)
Reversal/(Provision) for loss on guaranteed contracts with customers	—	—	—	—	—	25,856	—	25,856
Impairment charge on accounts receivable, net	—	—	(57,189)	(43,031)	—	—	(57,189)	(43,031)

The depreciation and amortisation for the period ended 30 June 2019 of HK\$1,455,663 (2018: HK\$785,110) and HK\$171,668 (2018: HK\$66,667), respectively, are included in the unallocated expenses.

For the period ended 30 June 2018

	Services broking services		Financing services		Asset management services		Total	
	For the three months ended 30 June 2018 HK\$ (unaudited)	For the six months ended 30 June 2018 HK\$ (unaudited)	For the three months ended 30 June 2018 HK\$ (unaudited)	For the six months ended 30 June 2018 HK\$ (unaudited)	For the three months ended 30 June 2018 HK\$ (unaudited)	For the six months ended 30 June 2018 HK\$ (unaudited)	For the three months ended 30 June 2018 HK\$ (unaudited)	For the six months ended 30 June 2018 HK\$ (unaudited)
Segment revenue	10,736,315	29,170,161	2,353,824	4,439,562	180,000	277,500	13,270,139	33,887,223
Segment results	6,857,268	16,752,815	1,689,024	3,391,974	684,123	(560,381)	9,230,415	19,584,408
Other income and gains/(losses), net							195,369	1,270,171
Unallocated expenses							(9,103,330)	(11,049,263)
Profit before tax							322,454	9,805,316
Other segment information:								
Interest income from clients	—	—	2,353,824	4,439,562	—	—	2,353,824	4,439,562
Finance costs	—	—	(558,119)	(940,907)	—	—	(558,119)	(940,907)
Commission expenses	(2,012,157)	(5,416,610)	—	—	—	—	(2,012,157)	(5,416,610)
Provision for loss on guaranteed contracts with customers	—	—	—	—	(190,242)	(182,357)	(190,242)	(182,357)
Impairment charge on accounts receivable, net	—	—	(106,681)	(106,681)	—	—	(106,681)	(106,681)
Depreciation	(160,121)	(320,242)	—	—	—	—	(160,121)	(320,242)
Unallocated	—	—	—	—	—	—	—	(785,110)
								(1,105,352)

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 periods ended 30 June 2019 and 2018 contributing over 10% of the total revenue of the Group are as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer A	1,994,574	1,377,957	4,211,556	N/A*
Customer B	N/A*	N/A*	N/A*	4,324,005

* Contributed to less than 10% of the Group's total revenue for the respective periods.

5. REVENUE

An analysis of revenue is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
<i>Revenue from contracts with customers</i>	12,540,902	10,913,643	23,779,425	29,442,742
<i>Revenue from other sources</i>				
Interest income calculated using the effective interest method from:				
— clients	3,363,165	2,353,824	6,619,541	4,439,562
— authorised institutions	127,391	139	175,456	182
— others	48,759	2,533	97,181	4,737
	16,080,217	13,270,139	30,671,603	33,887,223

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

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

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
Commission and brokerage income	9,322,146	9,072,995	19,015,265	20,869,142
Placing and underwriting commission income	1,403,170	—	1,403,170	4,324,005
Income from advising on securities	679,970	—	939,970	—
Handling fee income	966,979	1,660,648	2,094,883	3,972,095
Asset management fee	168,637	180,000	326,137	277,500
	12,540,902	10,913,643	23,779,425	29,442,742

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

Notes	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)
Other income				
Gross rental income	25,000	75,000	100,000	150,000
Sundry income	—	(77,832)	19,500	2,208
	25,000	(2,832)	119,500	152,208
Trading gains/(losses), net				
Fair value (losses)/gains on financial assets at fair value through profit or loss	(1,014,514)	(780,645)	1,125,086	139,117
Dividend income from financial assets at fair value through profit or loss	233,364	114,177	356,900	114,177
	(781,150)	(666,468)	1,481,986	253,294
Other gains/(losses), net				
Fair value gains on investment property	14	—	880,000	100,000
Loss on disposal of items of property, plant and equipment	—	(15,331)	—	(15,331)
	—	864,669	100,000	864,669
	(756,150)	195,369	1,701,486	1,270,171

7. STAFF COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
Salaries, allowances and benefits in kind	3,999,896	3,071,553	7,733,120	6,164,226
Contributions to Mandatory Provident Fund and Occupational Retirement Schemes	181,395	190,968	356,796	345,391
	4,181,291	3,262,521	8,089,916	6,509,617

8. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
Interest on bank loans and overdrafts	791,141	545,023	1,327,052	908,497
Interest on client payables with no fixed repayment terms	76,919	13,096	111,245	32,410
Lease finance costs	4,173	—	9,705	—
Total interest expense on financial liabilities not at fair value through profit or loss	872,233	558,119	1,448,002	940,907

9. PROFIT BEFORE TAX

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019 HK\$ (unaudited)	2018 HK\$ (unaudited)	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
The Group's profit before tax is arrived at after charging/ (crediting):					
Auditor's remuneration		200,000	160,000	200,000	160,000
Amortisation	15	88,334	66,667	171,668	66,667
Depreciation					
— Property, plant and equipment	13	613,204	523,737	1,228,177	1,038,685
— Right-of-use assets		113,743	—	227,486	—
Direct operating expenses arising from rental-earning investment property		—	1,747	359	3,418
Exchange and clearing fee		762,417	1,265,592	1,834,410	3,458,835
Foreign exchange gain, net		113,957	426,500	99,932	308,012
Information services expenses		1,004,557	683,076	2,010,088	1,332,059
Rental payments in respect of short-term lease		17,400	—	34,800	—
Operating lease payments in respect of office premises		21,642	134,654	38,492	271,407
Provision/(reversal of provision) for loss on guaranteed contracts with customers		—	190,242	(25,856)	182,357
Listing expenses		—	2,213,884	—	2,213,884
Impairment charge on accounts receivable, net	16	57,189	106,681	43,031	106,681

10. INCOME TAX EXPENSE

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

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
		HK\$	HK\$	HK\$	HK\$
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
<hr/>					
Current tax:					
Hong Kong profits tax		179,677	248,474	835,084	1,616,873
Deferred tax	24	(17,742)	(6,961)	22,856	123,173
<hr/>					
Total tax charge for the period		161,935	241,513	857,940	1,740,046
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11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

For the three months ended 30 June		For the six months ended 30 June	
2019	2018	2019	2018
HK\$	HK\$	HK\$	HK\$
(unaudited)	(unaudited)	(unaudited)	(unaudited)

Earnings

Earnings for the purpose of calculating basic and diluted earnings per share — profit for the period attributable to ordinary equity holders of the parent	2,832,273	80,941	7,796,135	8,065,270
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Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	200,000,000	150,000,000	200,000,000	150,000,000
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The Group has no potential dilutive ordinary shares in issue during the six months ended 30 June 2019 and 2018.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the six months ended 30 June 2018 has been determined on the assumption that the reorganisation and the capitalisation issue as disclosed in note 25 had been effective on 1 January 2017.

12. DIVIDEND

Notes	For the three months ended 30 June		For the six months ended 30 June		
	2019	2018	2019	2018	
	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	
Special dividend declared and paid	a	—	—	—	8,000,000
Interim dividend declared	b	2,400,000	2,000,000	2,400,000	2,000,000

- (a) The special dividend in 2018 was declared and paid to the immediate holding company, Victory Securities Holding Limited.
- (b) An interim dividend of HK1.20 cents per share was declared for the six months ended 30 June 2019.

At a meeting held on 10 August 2018, the Board declared an interim dividend of HK1.00 cent per ordinary share for the period ended 30 June 2018 amounting to HK\$2,000,000, which was paid on 12 September 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held for own use	Motor vehicles	Office equipment	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
30 June 2019 (unaudited)							
At 1 January 2019:							
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 2019, net of accumulated							
depreciation	55,850,000	571,340	42,021	499,246	77,270	40,418	57,080,295
Additions	—	—	—	78,471	5,884	—	84,355
Disposals	—	—	—	—	—	—	—
Depreciation provided during the period	(984,603)	(115,746)	(7,961)	(98,681)	(13,514)	(7,672)	(1,228,177)
Gain on revaluation	934,603	—	—	—	—	—	934,603
At 30 June 2019, net of accumulated depreciation	55,800,000	455,594	34,060	479,036	69,640	32,746	56,871,076
At 30 June 2019:							
Cost or valuation	55,800,000	926,000	947,314	1,452,141	920,420	1,636,552	61,682,427
Accumulated depreciation	—	(470,406)	(913,254)	(973,105)	(850,780)	(1,603,806)	(4,811,351)
Net carrying amount	55,800,000	455,594	34,060	479,036	69,640	32,746	56,871,076

	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 (audited)							
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

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 (31 December 2018: 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\$11,657,046 as at 30 June 2019 (31 December 2018: HK\$11,865,208).

The fair value of the carparking space with carrying amount of HK\$2,800,000 (31 December 2018: HK\$2,850,000) 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 30 June 2019, 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\$934,603 (31 December 2018: HK\$7,789,322) was recognised in the property revaluation reserve and in other comprehensive income for the period ended 30 June 2019.

At 30 June 2019, the Group's land and buildings with a net carrying amount of HK\$53,000,000 (31 December 2018: HK\$53,000,000) were pledged to secure general banking facilities granted to the Group, as further detailed in note 23 to the interim condensed consolidated 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 measurement for:	Fair value measurements categorised into			
	(Level 1)	(Level 2)	(Level 3)	Total
	HK\$	HK\$	HK\$	HK\$
30 June 2019 (unaudited)				
— Commercial				
— Hong Kong	—	—	53,000,000	53,000,000
— Carparking space				
— Hong Kong	—	2,800,000	—	2,800,000
31 December 2018 (audited)				
— Commercial				
— Hong Kong	—	—	53,000,000	53,000,000
— Carparking space				
— Hong Kong	—	2,850,000	—	2,850,000

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the six months ended 30 June 2019 and the year ended 31 December 2018.

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

	Commercial property HK\$
Carrying amount at 1 January 2018 (audited)	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 and 1 January 2019 (audited)	53,000,000
Depreciation for the period	(933,939)
Gain on revaluation of land and buildings recognised in other comprehensive income	933,939
Carrying amount at 30 June 2019 (unaudited)	53,000,000

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:

	As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Price per square foot (range)	20,424	20,424

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

14. INVESTMENT PROPERTY

	As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Non-current assets		
At beginning of year	10,500,000	10,200,000
Fair value gains (note 6)	100,000	300,000
At end of period/year	10,600,000	10,500,000

The Group's investment property consists 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 30 June 2019 and 31 December 2018 based on a valuation performed by C S Surveyors Limited, an independent professionally qualified valuer, at HK\$10,600,000 and HK\$10,500,000, respectively.

At 30 June 2019, the Group's investment property with a total carrying amount of HK\$10,600,000 (31 December 2018: HK\$10,500,000) was pledged to secure general banking facilities granted to the Group as further detailed in note 23 to the interim condensed consolidated financial statements.

Fair value hierarchy

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

Fair value measurement for:	Fair value measurements categorised into			
	(Level 1)	(Level 2)	(Level 3)	Total
	HK\$	HK\$	HK\$	HK\$
30 June 2019 (unaudited)				
— Residential				
— Hong Kong	—	—	10,600,000	10,600,000
31 December 2018 (audited)				
— Residential				
— Hong Kong	—	—	10,500,000	10,500,000

There were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 during the six months ended 30 June 2019 and the year ended 31 December 2018.

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

	Residential property HK\$
Carrying amount at 1 January 2018 (audited)	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 and 1 January 2019 (audited)	10,500,000
Net gain from fair value adjustment recognised as other gains in profit or loss	100,000
Carrying amount at 30 June 2019 (unaudited)	10,600,000

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:

	As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Price per square foot (range)	15,407	15,262

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

15. INTANGIBLE ASSETS

	Notes	As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Trading right	a	1	1
Software	b	808,332	600,000
		808,333	600,001

- (a) The trading right is of an indefinite useful life and represents Exchange Trading Right in the Stock Exchange held by a subsidiary in 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.

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

	Software HK\$
30 June 2019 (unaudited)	
At 1 January 2019:	
Cost	800,000
Accumulated amortisation	(200,000)
Net carrying amount	600,000
At 1 January 2019, net of accumulated Amortisation	600,000
Additions	380,000
Amortisation provided during the period	(171,668)
At 30 June 2019, net of accumulated amortisation	808,332
At 30 June 2019	
Cost	1,180,000
Accumulated amortisation	(371,668)
Net carrying amount	808,332
31 December 2018 (audited)	
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

16. ACCOUNTS RECEIVABLE

		As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Margin client receivables	a	167,885,022	147,481,956
Cash client receivables	b	34,571,802	27,597,090
		202,456,824	175,079,046
Less: Allowance for ECL	f	(394,948)	(351,917)
		202,061,876	174,727,129
Clearing house receivables	c	16,398,574	36,065,917
Broker receivables	d	2,326,581	48,539,662
Placing commission receivables	e	1,309,656	779,840
		20,034,811	85,385,419
Total accounts receivable		222,096,687	260,112,548

Notes:

(a) *Margin client receivables*

At 30 June 2019, the Group held securities (excluding bonds) with an aggregate fair value of HK\$706,313,945 (31 December 2018: HK\$351,454,304) and bonds with an aggregate fair value of HK\$10,471,500 (31 December 2018: HK\$10,823,720) 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.

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:

	As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Cash client receivables		
Within 2 days	21,682,388	21,248,327
Past due		
— Over 2 days but less than 1 month	12,509,828	5,257,450
— Over 1 month but less than 3 months	28,292	360,797
— Over 3 months but less than 12 months	151,733	393,195
— Over 12 months but less than 2 years	188,461	43,745
— Over 2 years	11,100	293,576
	34,571,802	27,597,090

Management assesses the fair value of the securities placed with the Group by each individual client who has shortfall and provision for impairment losses of HK\$6,283 was made as at 30 June 2019 (31 December 2018: provision for impairment losses of HK\$22,576).

(c) *Clearing house receivables*

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

	As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Clearing house receivables		
Within 2 days	16,398,574	36,065,917

As at 30 June 2019, included in receivable from clearing houses was a net receivable from Hong Kong Securities Clearing Company Limited ("HKSCC") of HK\$16,398,574 (31 December 2018: HK\$36,065,917), 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 30 to the interim condensed consolidated 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.

(f) *Impairment*

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

	Stage 1	Stage 2	Stage 3	Total
	HK\$	HK\$	HK\$	HK\$
As at 1 January 2018 (audited)	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 and 1 January 2019 (audited)	263,349	234	88,334	351,917
Transfer to stage 2	(24)	24	—	—
Transfer to stage 3	(8,659)	—	8,659	—
Change arising from transfer of stages	—	(234)	(21,263)	(21,497)
Other remeasurement of loss allowance	64,528	—	—	64,528
As at 30 June 2019 (unaudited)	319,194	24	75,730	394,948
Arising from:				
Margin client receivables	87,481	24	69,447	156,952
Cash client receivables	231,713	—	6,283	237,996
	319,194	24	75,730	394,948
ECL rate				
Margin client receivable	0.06%	0.00%	90.01%	0.09%
Cash client receivables	0.67%	N/A	100.00%	0.69%

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 the six months ended 30 June 2019:

- Transfer of client receivables of HK\$11,275,098 from stage 1 to stage 2 and HK\$9,234 from stage 1 to stage 3, resulting in an increase in loss allowance of HK\$24 and HK\$8,659, respectively; and
- Increase in margin receivables of HK\$20,403,066 which was included origination of new client receivables and new drawdown from existing clients.

For all stage 3 gross margin client and cash client receivables amounted to HK\$751,520, 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\$675,790.

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.

17. PREPAYMENTS AND OTHER RECEIVABLES

		As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Prepayments, other debtors and deposits		3,488,370	1,826,855
Due from a related company	a & 31	2,192	1,096
Due from holding company	b	60,853	57,733
Due from a director	c	—	304,219
Total prepayments and other receivables		3,551,415	2,189,903

As at 30 June 2019, none of the other receivables were impaired (31 December 2018: Nil).

Notes:

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

Name	30 June	Maximum amount outstanding during the	31 December	Maximum amount outstanding during the	1 January
	2019	period	2018 and 1 January 2019	year	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)		(audited)		(audited)
Victory Insurance Consultants Limited*	2,192	2,192	1,096	14,976	1,086
Total	2,192	2,192	1,096	14,976	1,086

- * Ms. Kou Kuen is the common shareholder and has significant influence over the Group and the related companies during the six months ended 30 June 2019 and the year ended 31 December 2018.

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

Name	30 June	Maximum amount outstanding during the	31 December	Maximum amount outstanding during the	1 January
	2019	period	2018 and 1 January 2019	year	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)		(audited)		(audited)
Ms. Kou Kuen	—	304,219	304,219	304,219	—
Total	—	304,219	304,219	304,219	—

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.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Investments designated at fair value through profit or loss:			
Listed equity securities — Hong Kong	(i)	11,271,119	10,504,723
Convertible bonds issued by a listed company in Hong Kong	(ii)	4,984,912	5,000,000
		16,256,031	15,504,723

The above investments at 30 June 2019 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 30 June 2019 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:

Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Level 3	Binomial Lattice Model	Discount rate of 9.33%	5% increase or decrease in discount rate, the fair value would be decreased by HK\$72,972 or increased by HK\$77,639

As at 30 June 2019, listed equity securities with carrying value of HK\$11,271,119 (31 December 2018: HK\$10,278,123) were pledged to secure banking facilities granted to the Group as further detailed in note 23 to the interim condensed consolidated financial statements.

19. CASH AND CASH EQUIVALENTS

	As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Bank balances	17,232,426	2,956,363
Time deposit	—	12,464,070
Cash in hand	5,530	5,049
Total cash and cash equivalents	17,237,956	15,425,482
Denominated in:		
Hong Kong Dollars	8,983,059	12,024,629
Renminbi	1,102,319	967,577
United States Dollars	6,956,217	2,281,594
Others	196,361	151,682

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 30 June 2019, client money maintained in segregated accounts not otherwise dealt with in the interim financial statements amounted to HK\$173,010,143 (31 December 2018: HK\$141,085,683).

20. ACCOUNTS PAYABLE

	As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Margin and cash client payables	17,977,673	61,555,910
Due to clearing house	—	4,352,876
	17,977,673	65,908,786

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 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 30 to the interim condensed consolidated financial statements.

21. OTHER PAYABLES AND ACCRUALS

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

22. PROVISIONS

	Provision for loss on guaranteed contracts with customers	Other provisions	Total
	HK\$	HK\$	HK\$
At 1 January 2018 (audited)	1,391,814	253,324	1,645,138
(Reversal of)/additional provision	1,090,953	(55,661)	1,035,292
At 31 December 2018 and 1 January 2019 (audited)	2,482,767	197,663	2,680,430
(Reversal of) provision	(2,482,767)	(18,676)	(2,501,443)
At 30 June 2019 (unaudited)	—	178,987	178,987

The Group entered into loss protection discretionary account management agreements with 2 customers for asset management services provided during the period ended 30 June 2019 (31 December 2018: 2 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 had expired during the six months ended 30 June 2019.

23. BANK BORROWINGS

	As at	As at
	30 June	31 December
	2019	2018
	HK\$	HK\$
	(unaudited)	(audited)
Bank loans — secured	87,500,000	76,500,000

At 30 June 2019, bank loans were secured by clients' securities and securities held by the Group amounting to HK\$129,665,869 (31 December 2018: HK\$70,959,238), leasehold land and buildings and investment property of the Group with aggregate carrying value amounting to HK\$63,600,000 (31 December 2018: HK\$63,500,000).

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

The effective interest rates for bank loans are floating ranging from 2.40% to 5.60% during the period (during the year ended 31 December 2018: 4.60% to 5.10%) per annum.

24. DEFERRED TAX LIABILITIES

Deferred tax is calculated in full on temporary differences under the liability method using a statutory tax rate of 16.5% (31 December 2018: 16.5%). The movements on the deferred tax liabilities for the period ended 30 June 2019 and the year ended 31 December 2018 are as follows:

	30 June 2019 (unaudited)			Total HK\$
	Accelerated tax depreciation HK\$	Revaluation of properties HK\$	Impairment of financial assets HK\$	
At 1 January 2019 (audited)	597,337	7,228,214	(43,491)	7,782,060
Deferred tax charged/(credited) to the statement of profit or loss during the period	32,036	—	(9,180)	22,856
Deferred tax recognised in other comprehensive income	—	154,210	—	154,210
At 30 June 2019 (unaudited)	629,373	7,382,424	(52,671)	7,959,126
	31 December 2018 (audited)			
	Accelerated tax depreciation HK\$	Revaluation of properties HK\$	Impairment of financial assets HK\$	Total HK\$
At 1 January 2018 (audited)	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 (audited)	597,337	7,228,214	(43,491)	7,782,060

25. SHARE CAPITAL

Shares

Authorised shares

As at 30 June 2019, the total authorised number of ordinary shares is 2,000,000,000 shares (31 December 2018: 2,000,000,000 shares) with a par value of HK\$0.01 per share (31 December 2018: HK\$0.01 per share).

Issued and fully paid

	As at 30 June 2019 HK\$ (unaudited)	As at 31 December 2018 HK\$ (audited)
Issued and fully paid:		
200,000,000 ordinary shares	1,999,998	1,999,998

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

	Notes	Number of shares in issue	Share capital HK\$
As at 1 January 2018 (audited)		19,500	193
Capitalisation issue of shares	a	149,980,500	1,499,805
Issue of shares by placing	b	50,000,000	500,000
As at 31 December 2018, 1 January 2019 (audited) and 30 June 2019 (unaudited)		200,000,000	1,999,998

Notes:

- (a) Pursuant to the resolution passed by the shareholders 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.
- (b) 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.

26. RESERVES

The amounts of the Group's reserves and the movements for the periods ended 30 June 2019 and 2018 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.

27. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, employee or officer of any company in the Group who is employed by any company in the Group (whether full time or part time), consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company.

The Scheme became effective on 14 June 2018. The Scheme can be terminated by the Company with an ordinary resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event, no further options will be offered but the provisions of the Scheme shall remain in force in all other respects. Options complying with the provisions of the GEM Listing Rules which are granted and remain unexpired immediately prior to the termination of the operation of the Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Scheme.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the Board, but shall not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a Company's share on the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme at the end of the reporting period:

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

The fair value of the share options granted during the six months ended 30 June 2019 was HK\$290,600 (HK\$0.12 each) (Six months ended 30 June 2018: Nil), of which the Group recognised a share option expense of HK\$132,020 (Six months ended 30 June 2018: Nil) during the six months ended 30 June 2019.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	As at 18 January 2019
Dividend yield (%)	0.000
Expected volatility (%)	26.800
Historical volatility (%)	29.239
Risk-free interest rate (%)	1.90
Expected life of options (year)	1.33
Weighted average share price (HK\$ per share)	1.25

The expected life of the options is based on the terms of the options granted and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 1,737,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,737,000 additional ordinary shares of the Company and additional share capital of HK\$2,171,250 (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 1,737,000 share options outstanding under the Scheme, which represented approximately 0.87% of the Company's shares in issue as at that date.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

30 June 2019 (unaudited)

	1 January 2019 HK\$	Net cash inflows HK\$	30 June 2019 HK\$
Bank borrowings	76,500,000	11,000,000	87,500,000
	76,500,000	11,000,000	87,500,000

31 December 2018 (audited)

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

29. 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\$
30 June 2019 (unaudited)			
Financial assets included in other assets	560,960	—	560,960
Accounts receivable	222,096,687	—	222,096,687
Financial assets at fair value through profit or loss	—	16,256,031	16,256,031
Financial assets included in prepayments and other receivables	3,486,811	—	3,486,811
Cash and cash equivalents	17,237,956	—	17,237,956
Total	243,382,414	16,256,031	259,638,445

	Financial assets at amortised cost HK\$	Financial assets at fair value through profit or loss HK\$	Total HK\$
31 December 2018 (audited)			
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

The Group classified its financial liabilities in the following categories:

	Financial liabilities at amortised cost
	HK\$
<hr/>	
30 June 2019 (unaudited)	
Accounts payable	17,977,673
Other payables and accruals	3,612,795
Bank borrowings	87,500,000
Lease liabilities - current	315,638
	<hr/>
	109,406,106
	<hr/>
31 December 2018 (audited)	
Accounts payable	65,908,786
Other payables and accruals	4,219,286
Bank borrowings	76,500,000
	<hr/>
	146,628,072
	<hr/>

(b) 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 measurement for:	Fair value measurements categorised into			
	(Level 1)	(Level 2)	(Level 3)	Total
	HK\$	HK\$	HK\$	HK\$
30 June 2019 (unaudited)				
— Financial assets at fair value through profit or loss	11,271,119	—	4,984,912	16,256,031
31 December 2018 (audited)				
— Financial assets at fair value through profit or loss	10,504,723	—	5,000,000	15,504,723

During the six months ended 30 June 2019 and the year ended 31 December 2018, 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.

(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.

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

	HK\$
<hr/>	
Convertible bonds issued by a listed company in Hong Kong	
At 1 January 2018 (audited)	—
Purchases	5,000,000
<hr/>	
At 31 December 2018 and 1 January 2019 (audited)	5,000,000
Fair value gains/(losses)	(15,088)
<hr/>	
At 30 June 2019 (unaudited)	4,984,912
<hr/>	

30. 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	Gross amount of recognised financial liabilities offset in the statement of financial position	Net amount of financial assets presented in of financial position	Cash collateral received	Net amount
	HK\$	HK\$	HK\$	HK\$	HK\$
As at 30 June 2019					
(unaudited)					
Account receivable due from clearing house	86,609,741	(70,211,167)	16,398,574	—	16,398,574
As at 31 December 2018					
(audited)					
Account receivable due from clearing house	108,800,228	(72,734,311)	36,065,917	—	36,065,917

			<u>Related amounts not offset in the statement of financial position</u>		
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Cash collateral pledged	Net amount
	HK\$	HK\$	HK\$	HK\$	HK\$
As at 30 June 2019					
(unaudited)					
Account payable due to clearing house	70,211,167	(70,211,167)	—	—	—
As at 31 December 2018					
(audited)					
Account payable due to clearing house	77,087,187	(72,734,311)	4,352,876	—	4,352,876

31. 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	For the six months ended	
		2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
Close family members of Kou Kuen, Chan Ying Kit and Chan Pui Chuen:			
Brokerage income	a	3,875	—
Interest expense	b	(59)	—
Key management personnel:			
Brokerage income	a	18,710	213,162
Commission expenses	a	(125,358)	(39,102)
Interest income	b	209,522	142,805
Interest expense	b	(479)	(141)
Salaries, bonuses and contributions to retirement schemes	c	(1,094,058)	(1,105,085)
Related companies:			
Victory Global Trustee Company Limited			
— Brokerage income	a	82,846	—
— Interest income	b	41,294	—
— Interest expense	b	82	—
Victory Corporate Solutions Company Limited			
— Purchase of an intangible asset	d	—	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) 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:

	As at 30 June 2019 HK\$	As at 31 December 2018 HK\$
Close family members of Kou Kuen, Chan Ying Kit and Chan Pui Chuen:		
Accounts payable	(165,090)	(48,556)
Key management personnel:		
Accounts receivable	5,229,297	8,991,543
Accounts payable	(2,010)	(11,140)
Other receivables	—	304,219
Victory Global Trustee Company Limited		
Accounts receivable	1,003,183	1,618,416
Victory Insurance Consultants Limited		
Other receivables	2,192	1,096
Dr. TT Kou's Family Company Limited		
Other receivables	60,660	57,733

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.

32. EVENTS AFTER THE END OF THE INTERIM PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Goal for year 2019

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

Our goal for the year is to successfully deliver and execute what we have planned for as stated in the prospectus of the Company dated 30 June 2018 (the “**Prospectus**”). That is to expand the asset management and wealth management businesses, together with new business of financial advisory/corporate financing. The Group will continue to maximize productivity on Type 1 regulated activities vertically by excelling placing and underwriting and wealth management businesses. The Group also aim to hire competent talents to facilitate the development of the asset management services and financial advisory/corporate financing services.

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

Brokerage services

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

Revenue generated from securities broking services accounted for approximately 61.9% and 61.6% of the total revenue for the six months ended 30 June 2019 and 2018, respectively.

Placing and underwriting services

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

Revenue generated from placing and underwriting services accounted for approximately 4.6% and 12.8% of the total revenue for the six months ended 30 June 2019 and 2018, respectively. A few good business opportunities were spotted in placing business in the second quarter of the year, and thus revenue from the placing services arise starting from the second quarter of 2019. With the reputation and clients relationship built up since the Group was listed on the GEM of the Stock Exchange, the Group expects that the respective business will improve in the second half of year 2019 and the Group aims to turn placing and underwriting business into one of the major income streams in the near future.

Advising on securities services

The Group also provides advising on investment activities, which involve giving research reports or analysis on securities, and investment proposals to target audiences. Revenue generated from advising on securities services accounted for approximately 3.1% and nil of the total revenue for the six months ended 30 June 2019 and 2018, respectively.

Others

The Group also derives handling fee income arising from the services such as scrip handling services, settlement services, account servicing, corporate-action-related services and certain other miscellaneous services, which accounted for approximately 7.7% and 11.7% of the total revenue for the six months ended 30 June 2019 and 2018, respectively.

Financing services

The Group continued to solidify its customer base by enhancing marketing capabilities and optimising loan service processes. Generally, the Group provides margin financing and short-term IPO financing for customers to facilitate them to purchase securities in the secondary market and apply for new shares in connection with IPOs 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 six months ended 30 June 2019 and 2018, approximately 21.6% and 13.1% of the total revenue was derived from financing services, respectively.

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

Asset management services

The Group offers asset management services on a discretionary basis to high net worth customers who would like the Group to manage their portfolios on their behalf. The Group manages discretionary accounts and derives management fees and/or performance fees from the asset management services, which accounted for approximately 1.1% and 0.8% of the total revenue for the six months ended 30 June 2019 and 2018, respectively.

The Group is planning to expand asset management services by setting up private funds in second half of year 2019, with the application of the fund raised from IPO in year 2018 in enhancing the research capabilities and asset management service, the revenue for this segment is expected to respond positively.

FINANCIAL REVIEW

Revenue

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

	For the six months ended 30 June 2019 (HK\$'000)	For the six months ended 30 June 2018 (HK\$'000)	Differences (HK\$'000)	Change (%)
Securities broking, placing and underwriting services and advising on securities services	23,726	29,170	(5,444)	(18.7)
Financing services	6,620	4,440	2,180	49.1
Asset management services	326	277	49	17.7
Total	30,672	33,887	(3,215)	(9.5)

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

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

	For the six months ended 30 June 2019 (HK\$'000)	For the six months ended 30 June 2018 (HK\$'000)	Differences (HK\$'000)	Change (%)
Brokerage services	19,015	20,869	(1,854)	(8.9)
Placing and underwriting services	1,403	4,324	(2,921)	(67.6)
Advising on securities services	940	—	940	N/A
Others	2,368	3,977	(1,609)	(40.5)
Total	23,726	29,170	(5,444)	(18.7)

(a) Brokerage services

For the six months ended 30 June 2019, the Group recorded a revenue of approximately HK\$19.02 million from the brokerage services, representing a decrease of approximately 8.9% as compared to the revenue of approximately HK\$20.87 million for the six months ended 30 June 2018. This was mainly due to decrease in brokerage income derived from the Hong Kong stock market due to decrease in market turnover from HK\$15,320.72 billion for the six months ended 30 June 2018 to HK\$11,653.30 billion for the six months ended 30 June 2019.

(b) *Placing and underwriting services*

For the six months ended 30 June 2019, the Group recorded revenue of approximately HK\$1.40 million from the placing and underwriting services, representing a decrease of approximately 67.6% as compared to the revenue of approximately HK\$4.32 million for the six months ended 30 June 2018. This was mainly due to the decrease in placing and underwriting volume in the first quarter of 2019. Placing and underwriting activities are on engagement basis, and the Group believes that with the increase in exposures in the market the Group will be able to capture the business opportunities. Therefore, it is expected that revenue from placing services will further improve in the second half of 2019.

(c) *Advising on securities services*

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

(d) *Others*

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

(2) *Financing services*

For the six months ended 30 June 2019, the Group recorded interest income of approximately HK\$6.62 million from financing services, representing an increase of approximately 49.1% as compared to the revenue of approximately HK\$4.44 million for the six months ended 30 June 2018. This was mainly due to the increase in the overall loan book extended to both margin and non-margin clients. This represented a keen demand for financing from customers because of the market sentiment and when the Group has a stronger financing capacity.

(3) Asset management services

For the six months ended 30 June 2019, the Group recorded revenue of approximately HK\$0.33 million from asset management services (for the six months ended 30 June 2018: HK\$0.28 million). The increase was mainly due to increase in revenue from new customer when compared to the six months ended 30 June 2018.

Other income and gains/(losses), net

Other income and gains/(losses), net increased from approximately HK\$1.27 million for the six months ended 30 June 2018 to approximately HK\$1.70 million for the six months ended 30 June 2019, representing an increase of approximately 34.0%. Such increase was mainly due to increase in fair value gains on financial assets at fair value through profit or loss of approximately HK\$0.99 million, as well as increase in dividend income of approximately HK\$0.24 million.

Commission expenses

Commission expenses decreased from approximately HK\$5.42 million for the six months ended 30 June 2018 to approximately HK\$4.40 million for the six months ended 30 June 2019, representing a decrease of approximately 18.8%, which was mainly due to the decrease in income from brokerage and placing and underwriting services of approximately HK\$4.78 million.

Other operating expenses

Other operating expenses decreased from approximately HK\$11.34 million for the six months ended 30 June 2018 to approximately HK\$8.15 million for the six months ended 30 June 2019, representing a decrease of approximately 28.1%, mainly due to (i) decrease in listing expenses of approximately HK\$2.21 million; (ii) decrease in exchange and clearing fee incurred for securities transactions of approximately HK\$1.62 million.

Profit for the period attributable to owners of the parent

For the six months ended 30 June 2019, profit for the period attributable to owners of the parent was approximately HK\$7.80 million (for the six months ended 30 June 2018: HK\$8.07 million). The decrease in profit for the period attributable to owners of the parent was mainly due to decrease in revenue and increase in staff costs for expansion of businesses, which is partly offset by the increase in other income and gain, net as a result of the increase in fair value gains on financial assets at fair value through profit or loss.

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 six months ended 30 June 2019, 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 period ended 30 June 2019, in which net cash used in operating activities amounted to approximately HK\$4.89 million (for the six months ended 30 June 2018: HK\$45.69 million). As at 30 June 2019, aggregate of bank and cash balances of the Group amounted to approximately HK\$17.24 million (as at 31 December 2018: HK\$15.43 million), which were mainly denominated in Hong Kong dollars ("**HK\$**").

As at 30 June 2019, the Group's current assets and current liabilities were approximately HK\$259.14 million (as at 31 December 2018: HK\$293.23 million) and HK\$110.62 million (as at 31 December 2018: HK\$150.25 million), respectively. As at 30 June 2019, the current ratio, being the ratio of current assets to current liabilities, was approximately 2.34 times (as at 31 December 2018: 1.95 times).

As at 30 June 2019, the short-term bank borrowings of the Group amounted to approximately HK\$87.50 million (as at 31 December 2018: HK\$76.50 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 30 June 2019 and 31 December 2018 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 30 June 2019 was approximately 26.7% (as at 31 December 2018: 21.1%).

The Group's investments are mainly financial assets at fair value through profit or loss. As at 30 June 2019, the market value of which were approximately HK\$16.26 million (as at 31 December 2018: HK\$15.50 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 30 June 2019 and 31 December 2018. As at 30 June 2019, total equity attributable to owners of the Company amounted to approximately HK\$209.75 million (as at 31 December 2018: HK\$204.04 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 approximately HK\$44.0 million ("**Net Proceeds**"). As set out in the section headed "Business Objectives and Future Plans" in 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.

Changes in Use of Proceeds During the Period

On 24 June 2019, the Board resolved to change the use of the remaining unutilized Net Proceeds as set out in the section headed “Business Objectives and Future Plans” in the Prospectus (“**Adjusted Plan**”). Details of the original allocation of the Net Proceeds as stated in the Prospectus, the revised allocation of the Net Proceeds, the amount of Net Proceeds utilized as at 30 June 2019 and the remaining balance of Net Proceeds after the revised allocation as at 30 June 2019 are set out as follows:

Intended use of Net Proceeds	Original allocation of Net Proceeds as stated in the Prospectus (HK\$ million)	Revised allocation of Net Proceeds (HK\$ million)	Amount of Net Proceeds utilized as at 30 June 2019 (HK\$ million)	The remaining balance of Net Proceeds after the revised allocation as at 30 June 2019 (HK\$ million)
Enlarging the capacity of the financing services	22.6	28.6	28.6	—
Proprietary trading	5.0	5.0	5.0	—
Upgrading the PMS and OMS	6.0	—	—	—
Expanding the client network with a focus on high net worth and institutional clients	3.0	3.0	1.1	1.9
Entering into the corporate finance advisory business	2.5	2.5	—	2.5
Enhancing the research capabilities and asset management service	2.0	2.0	—	2.0
Working capital and other general corporate purpose	2.9	2.9	2.9	—
Total	44.0	44.0	37.6	6.4

Reasons for the change in use of Net Proceeds

Business outlook and operating environment for the securities industry in Hong Kong remained challenging. There were signs of slowdown of economic growth due to the escalation of Sino-US trade disputes and retaliatory tariffs. The economic conditions were still volatile with fund flow volatilities and downside risks in Hong Kong and China. The uncertain economic and market situation has resulted in the volatility in stock market, Hang Seng Index fluctuates at the interval from the highest at 30,280 points to the lowest at 26,672 points between April 2019 up to 24 June 2019.

After assessing the uncertainty in the business environment and the market conditions recently, the Board has resolved to postpone the upgrade of the PMS and OMS to a later stage, as the regular maintenance costs and related license fees may impose additional burden to the Group. On the other hand, the Group can still satisfy short term demand from investors by leasing well established systems developed by external service providers. This can provide more flexibility to the Group to cope with the volatile operating environment.

In order to seek better uses of Net Proceeds, the unutilized Net Proceeds originally intended for upgrading the PMS and OMS of approximately HK\$6.0 million will be allocated to enlarge the capacity of the financing services. Despite the current volatile market conditions, it is expected that there will be a continuous increase in demand from individual investors leveraging their investments return by financing, which can be reflected by the increase in revenue contributed by the margin financing business after the Group obtained funds from the Listing. The Board foresees that such demand will continue to increase in the near future. For a more efficient allocation of resources and with a view to further improving the revenue of the Group, the Group considers that the change in use of Net Proceeds can help to further enlarge the capacity of the margin financing service by reserving more funds for clients who wish to purchase securities on a margin basis, and to offer margin loans to more clients and greater margin loan limits to the existing clients. This additional financing will bring in more revenue for the Group and can further enhance the capital of the Group.

Having considered the above, the Directors are of the view that the unutilized Net Proceeds originally allocated to upgrade PMS and OMS can now be better utilized for generating profit for the Group in the short term by being re-allocated to enlarging the capacity of the financing services of the Group. With the increase in client base and business opportunities as a result of the increase in scale of the financing service and other new services, the Group will consider upgrading the PMS and OMS systems with internal resources, or by leasing established systems developed by external service providers in the future.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considers that the change in the use of the Net Proceeds will enable the Group to effectively deploy its financial resources and is more in line with the current business needs of the Group, and therefore, is in the best interests of the Company and its shareholders as a whole.

The unused Net Proceeds were deposited in a licensed bank in Hong Kong.

Comparison between business objectives and actual business progress

The future plan and the planned amount of usage of Net Proceeds as stated in the Adjusted Plan were based on the best estimation and assumption of future market conditions at the time of preparing the announcement of the Company dated 24 June 2019 while the proceeds were applied based on the actual development of the Group's business and the industry. An analysis comparing the business objective stated in the Prospectus with the Group's actual business progress is set out below:

Business objectives	Actual business progress up to 30 June 2019
Enlarging the capacity of our financing services	Utilized for expanding the scope of financing services
Working capital and other general corporate purposes	Utilized for general working capital
Proprietary trading	Utilized for acquiring convertible bonds issued by a listed company in Hong Kong

Business objectives

Actual business progress up to 30 June 2019

Upgrading our PMS and OMS	The proceeds were utilized for expanding the scope of financing services as stated in the announcement of the Company dated 24 June 2019
Expanding our client network with a focus on high net worth and institutional clients	Partly utilized for marketing purposes to promote the Group's image, remaining will be utilized in year 2019
Entering into the corporate finance advisory business	The application of the respective license for corporate finance advisory business is pending for approval from respective authority and expected to be completed in short term, the respective personnel will be on board starting from August 2019 and the proceeds will be utilised once the license is approved and the personnel commence on duty
Enhancing our research capabilities and asset management service	Respective staff in position at the third quarter of 2019, will formulate work plans and amount expected to be utilized in the second half of 2019

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, bank loans secured by margin clients' securities and securities held by the Group amounting to approximately HK\$129.67 million, and leasehold land and buildings and investment properties of the Group with an aggregate carrying value amounting to approximately HK\$63.6 million as at 30 June 2019.

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 implemented measures to reduce assets denominated in foreign currencies, therefore the Group expect the foreign exchange exposure will not be material. The Group will also consider hedging significant foreign currency exposure should the needs arise.

CAPITAL AND OTHER COMMITMENTS

The Group had no capital and other commitments as at 30 June 2019.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2019.

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 held by the Group during the six months ended 30 June 2019.

BUSINESS RISKS, OUTLOOK AND PROSPECTS

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

Despite these risks and uncertainties, the Group will continue to pursue long-term business and profitability growth in line with its corporate mission and goals as stated in the Prospectus. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

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

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

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

EMPLOYEES INFORMATION

As at 30 June 2019, the Group had 39 full-time employees (as at 31 December 2018: 40), including all executive and non-executive directors but excluding independent non-executive directors. During the six months ended 30 June 2019, the total employees' cost (including directors' emoluments and retirement benefit scheme contribution) was approximately HK\$8.09 million (for the six months ended 30 June 2018: HK\$6.51 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 are set out in the section headed "Share Option Scheme" 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.

OTHER INFORMATION

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 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 Yuen San, Mr. Ko Yuen Sing, Ms. Kwok Lo Ming, Ms. Meng Li, Mr. Sze Tung, Mr. Yeung Tak Kuen 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	96,000	0.05%

Save as disclosed above, as at 30 June 2019, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2019, so far as it is known to the Directors, the following person, not being a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group:

Name of 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%

Note:

- (1) DTTKF is the registered owner of 150,000,000 shares, representing 75% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Ms. Kou Luen, Mr. Chan Ying Kit, Mr. Chiu Che Leung, Stephen, Mr. Ko Yuen Fai, Mr. Ko Yuen Kwan, Mr. Ko Yuen San, Mr. Ko Yuen Sing, Ms. Kwok Lo Ming, Ms. Meng Li, Mr. Sze Tung, Mr. Yeung Tak Kuen 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.

Save as disclosed above, as at 30 June 2019, the Company has not been notified by any persons, other than the Directors and the chief executive of the Company who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 14 June 2018. For the principal terms of the Share Option Scheme, details of the share options outstanding and movements under the Share Option Scheme of the Company during the six months ended 30 June 2019, please refer to note 27 to the interim condensed consolidated financial statements.

Save as disclosed in this report, no other share options were granted, exercised, cancelled or lapsed during the six months ended 30 June 2019.

DIVIDEND

The Board has resolved to declare an interim dividend of HK1.20 cents (2018: HK1.00 cent) per share for the six months ended 30 June 2019 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 23 August 2019.

It is expected that the payment of the interim dividend will be made on or before Friday, 13 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Company's shareholders' entitlement to the 2019 interim dividend, the register of members of the Company will also be closed from Wednesday, 21 August 2019 to Friday, 23 August 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2019 interim 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 August 2019.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

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

COMPETING INTERESTS

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

CORPORATE GOVERNANCE PRACTICES

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

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

COMPLIANCE ADVISER'S INTERESTS

Save and except for the compliance adviser's agreement entered into between the Company and Pulsar Capital Limited (the "**Compliance Adviser**") dated 12 October 2017, neither the Compliance Adviser, nor any of its directors, employees or close associates had any interests in the securities of the Company or other companies of the Group (including options or rights to subscribe for such securities) as at 30 June 2019 and up to the date of this report, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

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

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

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

Hong Kong, 7 August 2019

As at the date of this report, the Board comprises three executive Directors, namely Ms. Kou Kuen, Mr. Chiu Che Leung, Stephen and Mr. Chan Pui Chuen, one non-executive Director, namely Mr. Chan Ying Kit (Chairman) and three independent non-executive Directors, namely Mr. Leung Kwong Kin, Mr. Liu Chun Ning Wilfred and Dr. Yan Ka Shing.