

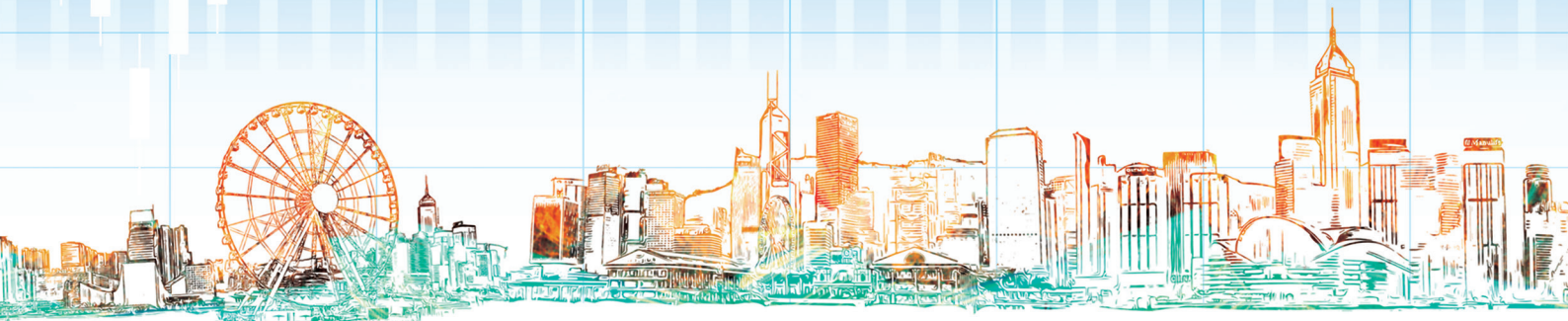


**Victory Securities (Holdings) Company Limited**

**(Incorporated in the Cayman Islands with limited liability)**

**Stock Code: 8540**

ANNUAL REPORT **2019**



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

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

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

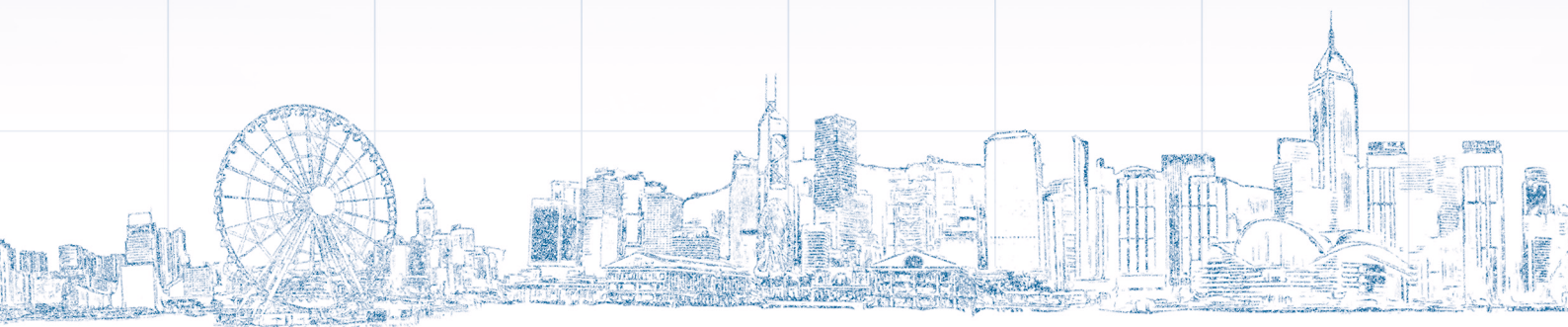
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*This report, for which the directors (the “Directors”) of Victory Securities (Holdings) Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the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

A background candlestick chart with blue and white bars on a light gray grid, showing an overall upward trend from left to right.

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Kou Kuen (*Chief Executive Officer*)  
Mr. Chiu Che Leung, Stephen  
Mr. Chan Pui Chuen  
Ms. Yao Yun Zhu (*resigned on 21 May 2019*)

### Non-executive Director

Mr. Chan Ying Kit (*Chairman*)

### Independent Non-executive Directors

Mr. Leung Kwong Kin (*deceased on 31 August 2019*)  
Mr. Ying Wing Ho Peter  
(*appointed on 14 October 2019*)  
Mr. Liu Chun Ning Wilfred  
Dr. Yan Ka Shing

## AUDIT COMMITTEE

Mr. Leung Kwong Kin (*deceased on 31 August 2019*)  
Mr. Ying Wing Ho Peter (*Chairman*)  
(*appointed on 14 October 2019*)  
Mr. Chan Ying Kit  
Dr. Yan Ka Shing

## REMUNERATION COMMITTEE

Mr. Leung Kwong Kin (*deceased on 31 August 2019*)  
Mr. Ying Wing Ho Peter (*Chairman*)  
(*appointed on 14 October 2019*)  
Ms. Kou Kuen  
Dr. Yan Ka Shing

## NOMINATION COMMITTEE

Dr. Yan Ka Shing (*Chairman*)  
Mr. Chan Pui Chuen  
Mr. Leung Kwong Kin (*deceased on 31 August 2019*)  
Mr. Ying Wing Ho Peter  
(*appointed on 14 October 2019*)

## LEGAL ADVISORS

As to Hong Kong law:

### Hastings & Co.

5/F., Gloucester Tower, The Landmark,  
11 Pedder Street, Central, Hong Kong

As to Cayman Islands law:

### Carey Olsen Singapore LLP

10 Collyer Quay #24-08,  
Ocean Financial Centre,  
Singapore 049315

## AUDITOR

Ernst & Young  
*Certified Public Accountants*  
22/F., CITIC Tower, 1 Tim Mei Avenue,  
Central, Hong Kong

## COMPLIANCE ADVISER

Pulsar Capital Limited  
Room 1204, 12/F., Jubilee Centre,  
18 Fenwick Street,  
Wanchai, Hong Kong

## COMPANY SECRETARY

Mr. Wong Wai Chiu (*FCIS, FCS*)  
(*resigned on 16 October 2019*)  
Mr. Chan Pui Chuen (*resigned on 16 October 2019*)  
Mr. Kong Yan Yue (*appointed on 16 October 2019*)

## 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

P.O. Box 10008, Willow House,  
Cricket Square, Grand Cayman KY1-1001,  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1101-3, 11th Floor,  
Yardley Commercial Building,  
3 Connaught Road West, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited  
P.O. Box 10008, Willow House,  
Cricket Square, Grand Cayman KY1-1001,  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre,  
183 Queen's Road East, Hong Kong

## COMPANY'S WEBSITE

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

## STOCK CODE

8540

## CHAIRMAN'S STATEMENT

On behalf of the board of directors (the “Board”) of Victory Securities (Holdings) Company Limited (the “Company”), I am pleased to present the annual report and the financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019 (the “Review Year”).

The Group is a well-established financial institution in Hong Kong providing a wide range of financial services to our clients including (i) securities/futures broking, placing and underwriting services and advising on securities services; (ii) financing services; (iii) asset management services; (iv) financial advisory service; and (v) insurance consultancy services. After the Company was listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 July 2018, we have implemented lines of new businesses and have experienced much more market exposures.

### REGULATION AND MARKET OVERVIEW

As expected, the stock market performance in 2019 was better than 2018, the Heng Seng Index (“HSI”) at the end of 2019 was up 2344 points or 9% compared to 2018’s closing. However, during the Review Year, the capital market and Hong Kong economy had been severely affected by China-USA trade war and HK local social events. Tourism, GDP and many other indicators dropped. The capital market wasn’t an exception. In 2019, the market turnover was poorly performed, in which daily average turnover of the Hong Kong stock market decreased from approximately HK\$107.41 billion for the year ended 31 December 2018 to approximately HK\$87.15 billion for the Review Year, representing a decrease of approximately 18.9%, and the same for annual total turnover which decreased from approximately HK\$26,422.76 billion in 2018 to approximately HK\$21,440.05 billion in 2019, representing a decrease of approximately 18.9%. This drop in turnover directly affected the source of income of the Group during the Review Year.

Despite the volatile market sentiment especially in the third quarter of 2019, the number of listed companies in the Stock Exchange enjoyed an increase from 2315 companies at the end of 2018 to 2449 companies at the end of 2019, up by approximately 5.8%, while the number of newly listed companies for 2019 had decreased by approximately 16% from 218 companies in 2018 to 183 companies in 2019.

Securities industry has always been a highly regulated sector in Hong Kong and we expect the regulators will keep closely monitoring and tightening the control measurements to make the market more efficient. During the Review Year, the Securities and Futures Commission (the “SFC”) had set more guidelines/rules in the areas of Margin Financing and e-business. The Group strives to improve risk management capacity so as to ensure a sound credit-management process, thereby achieving stable returns amid an unstable market environment.

The long lasting HK local social chaos, China-USA trade negotiations and the recent outbreak of Coronavirus Disease 2019 (“COVID-19”) will generate uncertainties to the financial market, which drove us to consider how we should respond to the market sentiment and turmoil. We will re-position ourselves in accordance with market needs together with our resources.

### BUSINESS REVIEW

Our industry highly depends on the market performance in Hong Kong and other major financial centers in the world. The uncertainty caused by HK social chaos and China-USA trade war during the Review Year has limited the market turnover due to risk aversion and awareness of investors. As such, our revenue and other income decreased by approximately 6.2% from approximately HK\$67.98 million for the year ended 31 December 2018 to approximately HK\$63.78 million for the Review Year.

# Chairman's Statement

Despite the market turmoil, the Group has always focused on its own agenda in business development, and expansion in planned dimensions. We are applying asset management license in Guangzhou, China; and we are underway to step in the asset management sector in Singapore. Beside these regional expansions, we have started our financial advisory business (Type 6 license issued by the SFC), and we had acquired insurance business in 2019. Most importantly, our exposure in equity capital market (“ECM”) has kept growing.

Year 2019 was not an easy year for the financial service industry, however the Group has carried out its promises made in my last Chairman's Statement, as quoted “to open up our new business lines, such as ECM division, financial advisory business, in which the application of the Type 6 (advising on corporate finance) license is in progress and will start operation upon approval of license by the SFC, as well as participation in other financial actions/transactions took place in the market” and “we will allocate more resources to asset management segment, a vertical development of which is anticipated”. Despite the challenging operating environment during the Review Year, we are grateful that we have fulfilled what we promised to our shareholders at the beginning of the Review Year.

## PROSPECTS

We expect the market performance in year 2020 would be more complicated than that in 2019, and even though we expect the number of new listed companies will keep increasing, we don't expect the annual total turnover of Hong Kong Stock Exchange will bounce back to the level in year 2018. However, one thing for sure is that how the economy in China turns out will directly affect the performance of HK listed companies and even the whole market in Hong Kong, as the China-based companies has shown and will keep showing their influence over Hong Kong market. Therefore we will allocate more resources on analyzing the A-Shares and China stock markets.

For year 2020, we will focus on two core service segments, namely asset management services and wealth management services. We expect the following will take place in the year of 2020:

1. License of asset management in Guangzhou, China;
2. License of asset management in Singapore; and
3. Wealth management becomes one of the core operations.

## APPRECIATION

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

By Order of the Board  
**Chan Ying Kit**  
*Chairman and non-executive director*

Hong Kong, 19 March 2020

# FINANCIAL HIGHLIGHTS

	For the year ended 31 December			
	2019 HK\$'000	2018 HK\$'000 (restated)	Differences (HK\$'000)	Change (%)
Revenue	62,234	67,226	(4,992)	(7.4)
Staff costs	20,615	15,306	5,309	34.7
Other operating expenses	16,268	28,235	(11,967)	(42.4)
Profit for the year	9,415	7,254	2,161	29.8
Basic and diluted earnings per share (in HK cents)	4.71	4.19		

Revenue for the year ended 31 December 2019 was approximately 7.4% lower than the year ended 31 December 2018, reflecting the decrease in revenue contributed by brokerage services due to decrease in market turnover of the Hong Kong stock market from approximately HK\$26,422.76 billion for the year ended 31 December 2018 to approximately HK\$21,440.05 billion for the year ended 31 December 2019. However, the Group has opened up new business lines through application of the Type 6 license issued by the Securities and Futures Commission, as well as the acquisition of Victory Insurance Consultants Limited, a company engaged in insurance consultancy services. These new businesses have compensated part of the decrease in revenue from the existing businesses and become a new revenue source for the Group.

Profit for the year increased by approximately 29.8% as compared to the year ended 31 December 2018 mainly due to the following reasons:

- (i) decrease in listing expenses of approximately HK\$6.81 million (included in other operating expenses);
- (ii) decrease in other operating expenses (excluding listing expenses) of approximately HK\$5.16 million;
- (iii) decrease in income tax expenses of approximately HK\$2.22 million;
- (iv) decrease in charge for allowance for expected credit losses on accounts receivable, net of approximately HK\$0.13 million; and
- (v) increase in revenue from financing services of approximately HK\$3.95 million.

However, the effect was partly offset by the following:

- (i) increase in staff costs of approximately HK\$5.31 million;
- (ii) increase in finance costs of approximately HK\$1.30 million;
- (iii) increase in depreciation expenses of approximately HK\$0.71 million;
- (iv) increase in share-based payment expenses and commission expenses of approximately HK\$0.63 million; and
- (v) decrease in revenue (excluding revenue from financing services) and other income and gains of approximately HK\$8.16 million.

A final dividend of HK1.60 cents per share for the year ended 31 December 2019 (2018: HK1.50 cents) was recommended by the Board and payable subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Victory Securities (Holdings) Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is a well-established integrated financial services provider in Hong Kong for almost five decades, providing a wide range of securities broking and related financial services to our clients including (i) securities/futures broking, placing and underwriting services and advising on securities services; (ii) financing services; (iii) asset management services; (iv) financial advisory services; and (v) insurance consultancy services. The core strength of the Group lies in its robust business model, with diverse businesses to withstand increasingly complex market conditions. The Group also plans to expand the asset management business by setting up privately offered funds for professional investors.

### Update on business development

During the year ended 31 December 2019, the Group has successfully expanded its business line with details as follows:

(1) *Acquisition of Victory Insurance Consultants Limited*

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

Upon the completion of the Acquisition, the Group will be able to achieve synergy effect as Victory Insurance has experienced and professional staff who are ready to render personalized services, in which the Group can provide more diversified products to its target clients immediately so as to capture the business opportunities from these clients. With the support of the Group, Victory Insurance will be able to broaden its client base and to provide more new products according to clients’ needs due to more financial resources, which in turn will benefit the Group as a whole.

(2) *Approval of type 6 (advising on corporate finance) license (the “Type 6 License”)*

The Type 6 License was granted by the Securities and Futures Commission (the “**SFC**”) to VS Capital Limited (a wholly owned subsidiary of the Group) in August 2019, under the condition that it (i) shall not hold client assets; (ii) shall only provide services to professional investors as defined in the Hong Kong Securities and Futures Ordinance (“**SFO**”); (iii) shall not act as sponsor in respect of an application for the listing on a recognised stock market of any securities; and (iv) shall not advise on matters/ transactions falling within the ambit of the Codes on Takeovers and Mergers and Share Buy-Backs issued by the SFC.

The Group aims to target both listed and unlisted corporations who are looking for quality and value-added professional financial advisory services at reasonable costs. The Group has commenced business since obtaining the Type 6 License and has entered into agreement with several clients with contract terms ranging from one to two years.



# Management Discussion and Analysis

## Introduction to business sectors

### (1) *Securities/futures broking, placing and underwriting services and advising on securities services* Brokerage services

The Group has been engaged in providing securities broking services over the last five decades. Despite the intensified competition from new players, the Group managed to retain customer loyalty through delivering service excellence. Income from securities broking services is primarily derived from the provision of brokerage services to customers to trade securities listed on The Stock Exchange of Hong Kong Limited (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 (the “**US**”) and B shares in the People’s Republic of China (“**PRC**”).

Revenue generated from securities broking services accounted for approximately 51.6% and 59.0% of the total revenue for the years ended 31 December 2019 and 2018, respectively.

### Placing and underwriting services

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

Revenue generated from placing and underwriting services accounted for approximately 10.9% and 10.7% of the total revenue for the years ended 31 December 2019 and 2018, respectively. The Group provides all-rounded financial services to clients and believes that with the reputation and clients relationship built up in recent years, the Group will be able to turn placing and underwriting services into one of the major income streams of the Group in the near future.

### Advising on securities services

The Group also provides services of 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 accounted for approximately 1.8% of the total revenue for the year ended 31 December 2019 (for the year ended 31 December 2018: Nil).

### Others

The Group also derives (i) handling fee income arising from the services such as scrip handling services, settlement services, account servicing, corporate-action-related services and certain other miscellaneous services; and (ii) interest income from the deposits, which accounted for approximately 6.1% and 11.0% of the total revenue for the years ended 31 December 2019 and 2018, respectively.



# Management Discussion and Analysis

## (2) *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 financing for initial public offering (“IPO”) of the shares to customers to facilitate them to purchase securities in the secondary market and apply for new shares in connection with IPO respectively, and the Group derives interest income in return. The Group also generates interest income from cash account clients on their overdue debit balance. For the years ended 31 December 2019 and 2018, approximately 22.5% and 14.9% of the total revenue was derived from financing services, respectively.

Such increase in the proportion to total revenue is partially due to an increasing demand from investors leveraging their investments return by financing, and also attributable to the stronger financial capability that better fulfils 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 can sustain, especially when the Group has changed the use in proceeds raised from the IPO of the Company and further invested HK\$6.0 million into the margin financing business in the second half of year 2019. The Group expects the revenue from this segment can provide the Group with stable income stream and help the Group to maintain steady cash flow. 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 any expansion of the business sector.

## (3) *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 2.4% and 0.9% of the total revenue for the years ended 31 December 2019 and 2018, respectively.

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

## (4) *Financial advisory services*

The Group has successfully obtained the Type 6 License in August 2019. Advisory fees will be charged based on the type and size of the transactions, duration of the engagement, complexity of the transaction and the expected manpower requirements.

The Group aims to focus on services such as advice on mergers and acquisitions transactions and independent financial advisory services to listed companies. Revenue generated from financial advisory services accounted for approximately 1.4% for the year ended 31 December 2019 (for the year ended 31 December 2018: Nil).

# Management Discussion and Analysis

## (5) *Insurance consultancy services*

The Group has successfully acquired Victory Insurance Consultants Limited (“**Victory Insurance**”), an insurance consultancy services provider during August 2019. The acquisition aims to better cater the needs from the high net worth PRC individuals, who have tremendous demand in wealth management services in order to better allocate their asset portfolio and diversify investment risks. These high net worth PRC individuals will look for quality wealth management services to realise their wealth management goals and will demand for wealth management services with tailored professional advice and sophisticated asset allocation system to diversify their investment risk. The experienced and professional staff from Victory Insurance will be able to provide progressive, pragmatic and quality wealth management plans with regular analysis of market trends, along with flexible wealth management solutions to help clients to broaden their investment horizons.

For the years ended 31 December 2019 and 2018, approximately 3.3% and 3.5% of the total revenue was derived from insurance consultancy services.

## **Outlook, Prospects and Future Plans**

The economy of Hong Kong and PRC were full of challenges in the year 2019. The trade war between the US and PRC inserted uncertainties on the regional and global economic outlook, which in turn adversely affected the general business environment and investors’ sentiment. The weakening of Renminbi (“**RMB**”), intensified control of outbound capital flows in the PRC, as well as the social unrest since June 2019 and the recent outbreak of Coronavirus Disease 2019 (“**COVID-19**”) has further reduced the motivation for outbound investment of different investors, especially those from the PRC and resulted in unfavourable investment sentiment in the local financial market and other sectors. With reduced clarity regarding both regional and global outlooks, the Hong Kong financial market became very volatile and in turns exerted pressure on operations.

Despite these risks and uncertainties, the Group has strived for the diversification of income streams by obtaining the Type 6 License and acquiring the insurance consultancy business, which further expanded and diversified the profit-making ability of the Group to cope with the increased competitiveness and volatility of the securities industry. The Group will continue to adopt sound and flexible marketing strategies to expand customer base, launch attractive marketing promotions at reasonable costs, and optimise the utilisation of system resources to enhance service quality and efficiency of the operations. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

The Group has worked hard over the year to expand its customer base and service channels through delivery of excellent services and client relationship management, in order to capture more business opportunities. The Group will continue to 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. Moreover, the Group will allocate more resources to the asset management segment to achieve a vertical development. As mentioned in the Chairman’s Statement in this annual report, new asset management licenses will be applied to expand the scale of the asset management segment. The Group will continue to review and evaluate the business objectives and strategies and make timely execution by taking into account the business risks and market uncertainties. The Group will also continue to explore opportunities with our strength and expertise.

## Management Discussion and Analysis

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

### FINANCIAL REVIEW

#### Revenue

The revenue of the Group's core business sectors for the years ended 31 December 2019 and 2018 are summarized as below:

	For the year ended 31 December 2019 (HK\$'000)	For the year ended 31 December 2018 (HK\$'000) (restated)	Differences (HK\$'000)	Change (%)
Securities/futures broking, placing and underwriting services and advising on securities services	43,797	54,293	(10,496)	(19.3)
Financing services	13,988	10,039	3,949	39.3
Asset management services	1,487	574	913	159.1
Financial advisory services	906	–	906	N/A
Insurance consultancy services	2,056	2,320	(264)	(11.4)
<b>Total</b>	<b>62,234</b>	<b>67,226</b>	<b>(4,992)</b>	<b>(7.4)</b>

#### (1) *Securities/futures broking and placing and underwriting services*

Securities services comprise mainly brokerage services, placing and underwriting services and advising on securities services. The table below sets out a breakdown of the revenue from securities services during the years ended 31 December 2019 and 2018:

	For the year ended 31 December 2019 (HK\$'000)	For the year ended 31 December 2018 (HK\$'000)	Differences (HK\$'000)	Change (%)
Brokerage services	32,087	39,654	(7,567)	(19.1)
Placing and underwriting services	6,779	7,214	(435)	(6.0)
Advising on securities services	1,097	–	1,097	N/A
Others	3,834	7,425	(3,591)	(48.4)
<b>Total</b>	<b>43,797</b>	<b>54,293</b>	<b>(10,496)</b>	<b>(19.3)</b>

# Management Discussion and Analysis

## (a) Brokerage services

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK\$32.09 million from the brokerage services, representing a decrease of approximately 19.1% as compared to the revenue of approximately HK\$39.65 million for the year ended 31 December 2018. This was mainly due to decrease in brokerage income derived from the Hong Kong stock market due to decrease in market turnover from approximately HK\$26,422.76 billion for the year ended 31 December 2018 to approximately HK\$21,440.05 billion for the year ended 31 December 2019.

## (b) Placing and underwriting services

For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$6.78 million from the placing and underwriting services, representing a decrease of approximately 6.0% as compared to the revenue of approximately HK\$7.21 million for the year ended 31 December 2018. This was mainly due to the decrease in placing and underwriting activities as a result of the unfavourable investment sentiment during 2019.

## (c) Advising on securities services

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK\$1.10 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

For the year ended 31 December 2019, the Group recorded a revenue from other services of approximately HK\$3.83 million, representing a decrease of approximately 48.4% as compared to the revenue of approximately HK\$7.43 million for the year ended 31 December 2018. The decrease of revenue from such other services was mainly due to decrease in securities trading volume of customers.

## (2) Financing services

For the year ended 31 December 2019, the Group recorded interest income of approximately HK\$13.99 million from financing services, representing an increase of approximately 39.3% as compared to the revenue of approximately HK\$10.04 million for the year ended 31 December 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 clients and the Group has been able to cater the demand from clients with a stronger financing capacity.

## (3) Asset management services

For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$1.49 million from asset management services, representing an increase of approximately 159.1% as compared to the revenue of approximately HK\$0.57 million for the year ended 31 December 2018. The increase was mainly due to improvement in performance on the asset under management, which results in increase in performance fee when compared to the year ended 31 December 2018.

## (4) Financial advisory services

For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$0.91 million from the financial advisory services, in which the business commences since the approval of the Type 6 License in August 2019.

## Management Discussion and Analysis

### (5) Insurance consultancy services

For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$2.06 million from insurance consultancy services, representing a decrease of approximately 11.4% as compared to the revenue of approximately HK\$2.32 million for the year ended 31 December 2018. Approximately 95% of the revenue is generated from long-term insurance plans and the decrease in revenue was mainly due to decrease in premium size per client.

### Other income and gains/(losses), net

Other income and gains/(losses), net was approximately HK\$1.55 million for the year ended 31 December 2019, representing an increase of approximately 103.7% as compared to the amount of approximately HK\$0.76 million for the year ended 31 December 2018 (restated). Such increase was mainly due to increase in fair value gain on financial assets at fair value through profit or loss of approximately HK\$0.67 million, as well as increase in interest received from investment of approximately HK\$0.43 million when compared to the year ended 31 December 2018.

### Commission expenses

The following is the breakdown on commission expenses:

	For the year ended 31 December 2019 (HK\$'000)	For the year ended 31 December 2018 (HK\$'000) (restated)	Differences (HK\$'000)	Change (%)
Commission for brokerage services	9,719	9,449	270	2.9
Commission for insurance consultancy services	1,292	1,158	134	11.6
<b>Total</b>	<b>11,011</b>	<b>10,607</b>	<b>404</b>	<b>3.8</b>

Commission expenses for the year ended 31 December 2019 was approximately HK\$11.01 million, representing an increase of approximately 3.8% as compared to the commission expenses of approximately HK\$10.61 million for the year ended 31 December 2018 (restated), which was mainly due to the increase in commission expenses for brokerage services related to the asset management business.

### Other operating expenses

Other operating expenses mainly comprised (i) exchange and clearing fee; (ii) information services expenses; (iii) legal, consultancy and professional fee; (iv) auditor's remuneration; and (v) marketing and entertainment expenses, which accounted for approximately 70.7% (2018: 50.8%) of the total other operating expenses. Other operating expenses for the year ended 31 December 2019 was approximately HK\$16.27 million, representing a decrease of approximately 42.4% as compared to the other operating expenses of approximately HK\$28.24 million for the year ended 31 December 2018 (restated), mainly due to:

- (i) decrease in listing expenses of approximately HK\$6.81 million;

## Management Discussion and Analysis

- (ii) decrease in exchange and clearing fee incurred for securities transactions of approximately HK\$3.50 million;
- (iii) decrease in provision for loss on guaranteed contracts of approximately HK\$1.12 million; and
- (iv) decrease in marketing, entertainment and other miscellaneous expenses of approximately HK\$3.47 million.

However, the effect was partly offset by the following expenses for the year ended 31 December 2019:

- (i) increase in information services expenses of approximately HK\$0.66 million mainly due to the launch on new apps; and
- (ii) increase in consultancy fee, professional and legal expenses of approximately HK\$2.27 million mainly due to expenses incurred for compliance to the GEM Listing Rules after the Company was listed in July 2018, as well as the professional fees incurred for the acquisition of Victory Insurance.

### Profit for the year attributable to owners of the parent

For the year ended 31 December 2019, profit for the year attributable to owners of the parent was approximately HK\$9.41 million, representing an increase of approximately 29.8% as compared to the amount of approximately HK\$7.25 million for the year ended 31 December 2018 (restated). The increase in profit for the year attributable to owners of the parent was mainly due to the following reasons:

- (i) decrease in listing expenses of approximately HK\$6.81 million (included in other operating expenses);
- (ii) decrease in other operating expenses (excluding listing expenses) of approximately HK\$5.16 million;
- (iii) decrease in income tax expenses of approximately HK\$2.22 million;
- (iv) decrease in charge for allowance for expected credit losses on accounts receivable, net of approximately HK\$0.13 million; and
- (v) increase in revenue from financing services of approximately HK\$3.95 million.

However, the effect was partly offset by the following:

- (i) increase in staff costs of approximately HK\$5.31 million;
- (ii) increase in finance costs of approximately HK\$1.30 million;
- (iii) increase in depreciation expenses of approximately HK\$0.71 million;
- (iv) increase in share-based payment expenses and commission expenses of approximately HK\$0.63 million; and
- (v) decrease in revenue (excluding revenue from financing services) and other income and gains of approximately HK\$8.16 million.

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

During the year ended 31 December 2019, the Group financed its operations by cash flow from operating activities and bank borrowings. The Group was operating in a net cash inflow position for the year ended 31 December 2019, in which net cash from operating activities amounted to approximately HK\$15.33 million (for the year ended 31 December 2018: net cash used in operating activities of approximately HK\$66.22 million (restated)). As at 31 December 2019, aggregate of bank and cash balances of the Group amounted to approximately HK\$17.77 million (as at 31 December 2018: approximately HK\$16.68 million (restated)), which were substantially denominated in Hong Kong dollars (“HK\$”).

As at 31 December 2019, the Group’s current assets and current liabilities were approximately HK\$243.84 million (as at 31 December 2018: approximately HK\$295.61 million (restated)) and approximately HK\$97.23 million (as at 31 December 2018: approximately HK\$150.46 million (restated)), respectively. As at 31 December 2019, the current ratio, being the ratio of current assets to current liabilities, was approximately 2.51 times (as at 31 December 2018: approximately 1.96 times (restated)).

As at 31 December 2019, the short-term bank borrowings of the Group were approximately HK\$69.08 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 clients’ securities and securities held by the Group, leasehold land and buildings and investment properties of the Group, and by corporate guarantees from the Company. The interest rate of our secured borrowings as at 31 December 2019 and 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 mainly denominated in HK\$. The Group’s gearing ratio (measured as total bank borrowings over total assets) as at 31 December 2019 was approximately 22.3% (as at 31 December 2018: approximately 21.0% (restated)).

The Group’s investments are mainly financial assets at fair value through profit or loss. As at 31 December 2019, the market value of which were approximately HK\$9.14 million (as at 31 December 2018: approximately HK\$15.50 million) and are equity securities listed in Hong Kong.

The capital of the Group comprises ordinary shares as at 31 December 2019 and 31 December 2018. As at 31 December 2019, total equity attributable to owners of the Company amounted to approximately HK\$205.38 million (as at 31 December 2018: approximately HK\$206.21 million (restated)).

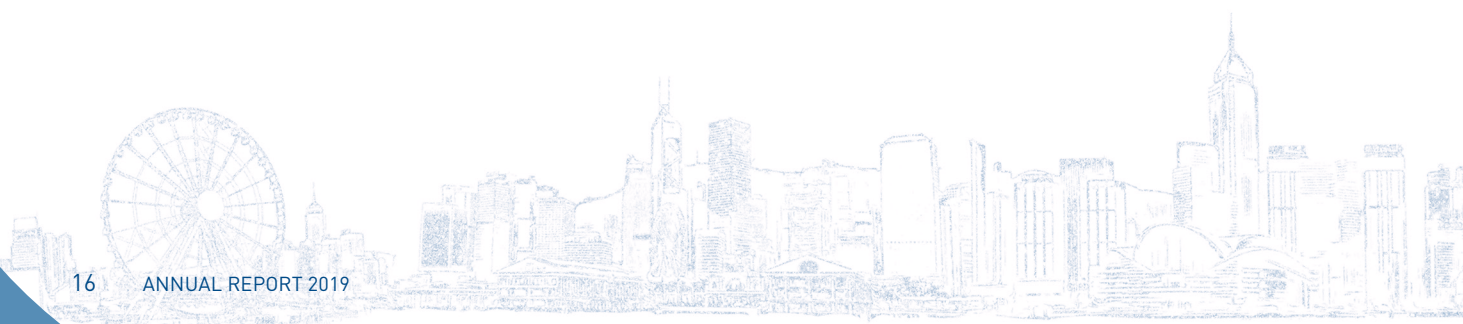


# Management Discussion and Analysis

## 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 of the Company dated 30 June 2018 (the “**Prospectus**”), the Company intends to use the Net Proceeds from its global offering for the follow purposes:

- 51.4%, or HK\$22.6 million, will be used to enlarge the capacity of our financing services;
- 13.6%, or HK\$6.0 million, will be used for upgrading our portfolio management system (“**PMS**”) and order management system (“**OMS**”);
- 11.4%, or HK\$5.0 million, will be used for proprietary trading;
- 6.8%, or HK\$3.0 million, will be used to expand our client network with a focus on high net worth and institutional clients;
- 5.7%, or HK\$2.5 million, will be used for entering into the corporate finance advisory business;
- 4.5%, or HK\$2.0 million, will be used to enhance our research capabilities and asset management service; and
- 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.



## Management Discussion and Analysis

### *Changes in Use of Proceeds During the Year*

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”). The revised allocation of the Net Proceeds, the amount of Net Proceeds utilized as at 31 December 2019 and the remaining balance of Net Proceeds after the revised allocation as at 31 December 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 31 December 2019 (HK\$ million)	The remaining balance of Net Proceeds after the revised allocation as at 31 December 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	1.5	1.5
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	0.8	1.2
Working capital and other general corporate purposes	2.9	2.9	2.9	–
<b>Total</b>	<b>44.0</b>	<b>44.0</b>	<b>41.3</b>	<b>2.7</b>

# Management Discussion and Analysis

## *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 trade disputes between the US and PRC 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.

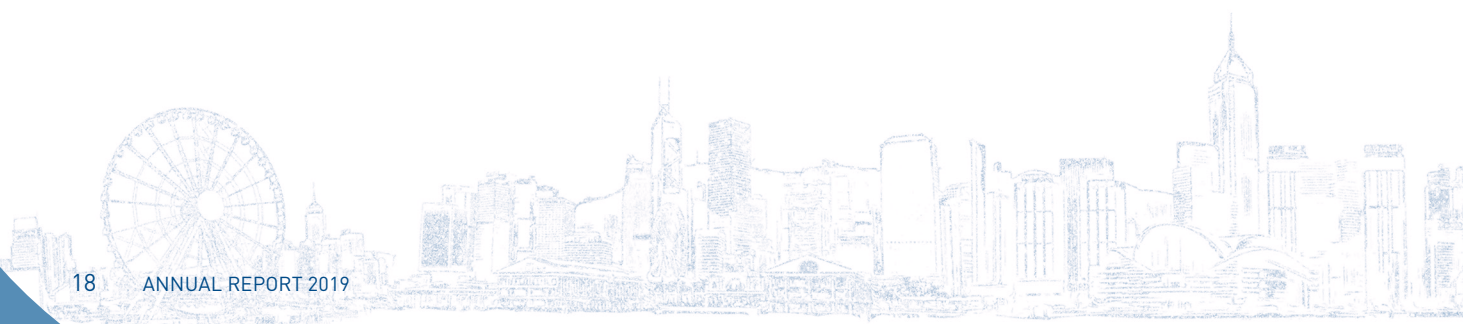
After assessing the uncertainty in the business environment and the market conditions, the Board has resolved to postpone the upgrade of the PMS and OMS to a later stage, as the regular maintenance costs and related license fees may impose additional burden to the Group. On the other hand, the Group 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 IPO. 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.



# Management Discussion and Analysis

## 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:

<b>Business objectives</b>	<b>Actual business progress up to 31 December 2019</b>
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	Fully utilized for the purposes
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 2020
Entering into the corporate finance advisory business	The application of the respective license for corporate finance advisory business is approved in August 2019, the respective personnel were on board and the proceeds were fully utilized
Enhancing our research capabilities and asset management service	Respective staff in position at the fourth quarter of 2019 and work plans formulated, the remaining amount expected to be fully utilized in year 2020

## PLEDGE OF ASSETS

As at 31 December 2019 and 2018, bank loans secured by clients' securities and securities held by the Group amounting to approximately HK\$80.33 million and HK\$70.96 million, respectively, and leasehold land and buildings and investment properties of the Group with an aggregate carrying value amounting to HK\$61.80 million and HK\$63.50 million as at 31 December 2019 and 2018, respectively.

## FOREIGN EXCHANGE EXPOSURE

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

## CAPITAL AND OTHER COMMITMENTS

Save as disclosed in note 17 to the financial statements, the Group had no other commitments as at 31 December 2019 and 2018.

# Management Discussion and Analysis

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2019 and 2018.

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

Save as disclosed in the announcements of the Company dated 15 August 2019 and 20 August 2019 and note 32 of the financial statements, there was no other material acquisition or disposal of subsidiaries and affiliated companies and significant investments held by the Group during the year ended 31 December 2019.

## EVENTS AFTER THE REPORTING PERIOD

The Group has assessed the impact of Coronavirus Disease 2019 (“COVID-19”) on its financial position and operating results since the outbreak of COVID-19 in January 2020. Short-term volatility and challenges to the global stock market are noticed due to adverse market and investment sentiment. However, the degree of impact of COVID-19 on the Group’s financial results depends on the development of this subsequent event, the extent of which could not be estimated as at the date of these financial statements. The Group will closely monitor the situation and assess its impacts on the financial position and operating results.

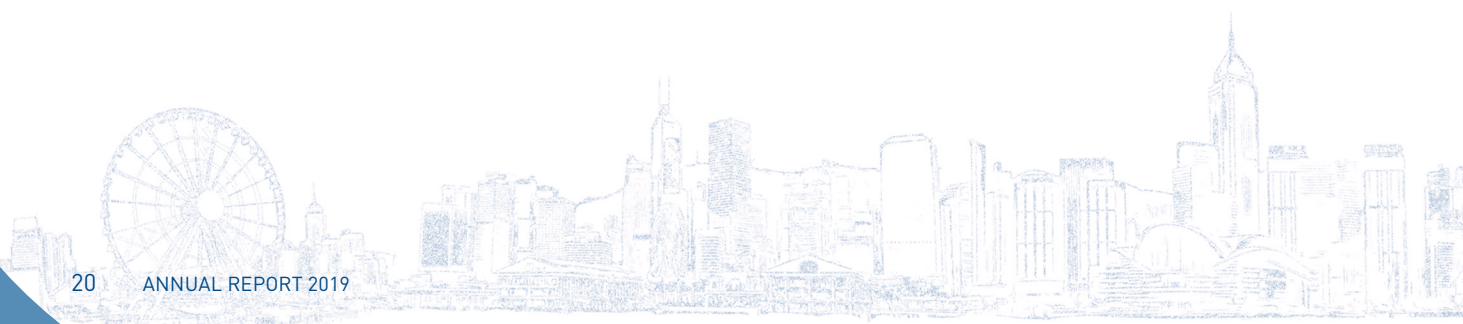
## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 45 full-time employees (as at 31 December 2018: 40), including all executive and non-executive directors but excluding independent non-executive directors. During the year ended 31 December 2019, the total employees’ cost (including directors’ emoluments and retirement benefit scheme contribution) was approximately HK\$20.62 million (for the year ended 31 December 2018: approximately HK\$15.31 million (restated)).

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

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

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



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Ms. Kou Kuen (“Ms. Kou”)**, aged 61, was appointed as a Director on 22 August 2016 and was designated as an executive Director and chief executive officer on 11 September 2017. Ms. Kou is one of the Company’s controlling shareholders. She is responsible for the overall management and business development and strategic planning of the Group. She is a director of various subsidiaries of the Company, including Victory Securities Holding Limited (“**Victory Securities (BVI)**”), Victory Securities Company Limited (“**Victory Securities (HK)**”), Victory Insurance Consultants Limited (“**Victory Insurance**”), Victory Premier SPC (“**Victory Premier**”) and 廣州市勝利私募證券投資資金管理有限公司 (“**勝利私募證券投資**”). Ms. Kou is the spouse of Mr. Chan Ying Kit (Non-executive Director and Chairman of the Company) and the mother of Mr. Chan Pui Chuen (Executive Director of the Company).

Ms. Kou has over 27 years of experience in the securities industry. In 1979, she joined Victory Investment Company as a clerk. From September 1979 to August 1982, she was mainly responsible for back office operation of Victory Investment Company. From August 1986 to March 1988, she worked in Hong Kong office of Canadian Communications International as executive assistant/marketing manager. From April 1988 to July 1990, she worked in Translanguage Centre Limited as an assistant marketing manager and was later promoted to marketing manager. She also became the marketing manager of the subsidiary of Translanguage Centre Limited, namely, Translanguage-IRH Limited, from October 1988 to July 1990. Subsequently in 1990, she re-joined Victory Investment Company as a manager and undertook managerial and supervisory roles. She was responsible for overall administration and operation of Victory Investment Company. From January 2003 to February 2015, she was the general manager of Victory Securities (HK). From March 2015 to December 2016, she was the managing director of Victory Securities (HK). Since January 2017, she has been the chief executive officer and a director of Victory Securities (HK).

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

**Mr. Chiu Che Leung Stephen (“Mr. Chiu”)**, aged 70, was appointed as a Director on 22 August 2016 and was designated as an executive Director and chief operating officer on 11 September 2017. He is responsible for overall supervision of operations of the Group. He is a director of Victory Securities (BVI) and Victory Securities (HK).

Mr. Chiu has over 44 years of experience in the securities industry. He was a business and office manager in Shung Lee Stock Investment Company from April 1973 to August 1984. He was the sole proprietor of Ten & Ten Securities Company from 1988 to 2005. Mr. Chiu joined Victory Securities (HK) in 2004 when it was merged with Ten & Ten Securities Company. From December 2004 to December 2005, he was the branch manager of Victory Security (HK). From January 2006 to December 2015, he was the compliance officer and deputy general manager of Victory Security (HK). From January 2016 to August 2017, he was the managing director of Victory Security (HK). Since September 2017, he has been the chief operating officer of Victory Security (HK).

## Biographical Details of Directors and Senior Management

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

**Mr. Chan Pui Chuen (“Mr. Chan Pui Chuen”)**, aged 30, was appointed as a Director on 5 September 2017 and was designated as an executive Director on 11 September 2017. He was appointed as one of the Company’s joint company secretaries on 10 October 2017 and resigned with effect from 16 October 2019. He is a member of the Nomination Committee. He is one of the Company’s controlling shareholders. He is responsible for overseeing compliance, internal control and risk management of the Group. He is a director of various subsidiaries of the Company, including Victory VC Asset Management Company Limited (“**Victory VC Asset Management**”), Victory Insurance, Victory Premier and 勝利私募證券投資. Mr. Chan Pui Chuen is the son of Ms. Kou Kuen (Executive Director and Chief Executive Officer of the Company) and Mr. Chan Ying Kit (Non-executive Director and Chairman of the Company).

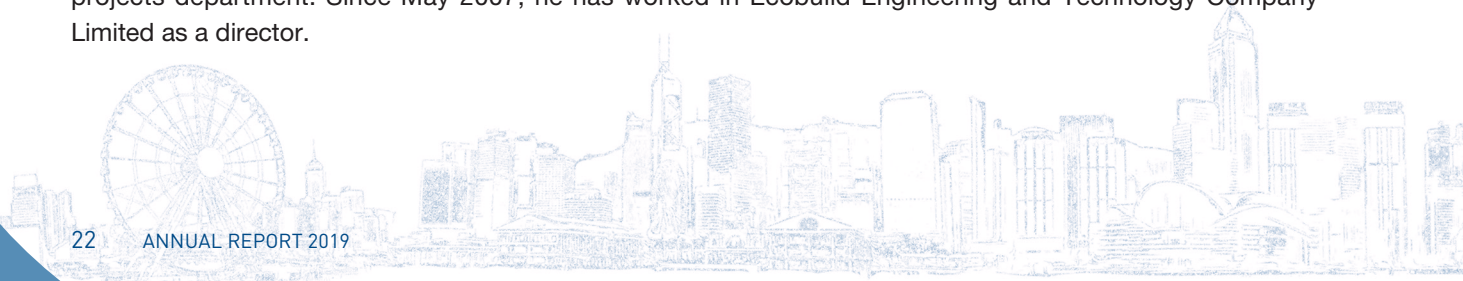
Mr. Chan Pui Chuen was approved by the SFC to be the Licensed Representative of Victory Securities (HK) for Type 1 regulated activity on 24 July 2013 and he has been employed by Victory Securities (HK) on a full-time basis since then. He was promoted as a senior compliance manager of Victory Securities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

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

### NON-EXECUTIVE DIRECTOR

**Mr. Chan Ying Kit (“Mr. Chan”)**, aged 64, was appointed as a Director on 22 August 2016 and was designated as the chairman of the Board and a non-executive Director on 11 September 2017. Mr. Chan is one of the Company’s controlling shareholders. As a chairman of the Board, he is responsible for strategic planning of the Group. He is also a director of Victory Securities (BVI), Victory Securities (HK) and Victory VC Asset Management. Mr. Chan is the spouse of Ms. Kou Kuen (Executive Director and Chief Executive Officer of the Company) and the father of Mr. Chan Pui Chuen (Executive Director of the Company).

Mr. Chan has over 40 years of experience in the construction and engineering industry. From May 1978 to August 1980, he worked in Hsin Chong Construction Company Limited as a laboratory assistant. From December 1980 to February 1983, he worked in Wah Hin Company Limited as a site supervisor. From March 1983 to February 1985, he worked in Maunsell Consultants Asia as a senior supervisor. From February 1985 to March 1988, he worked in Nishimatsu Construction Company Limited as an inspector of works. From April 1988 to April 1993, he worked in Hong Kong Electric Company Limited as an engineer. From April 1994 to August 2006, he worked in i-CABLE Network Limited as a project manager and department head of special projects department. Since May 2007, he has worked in Ecobuild Engineering and Technology Company Limited as a director.



## Biographical Details of Directors and Senior Management

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ying Wing Ho Peter (“Mr. Ying”)**, aged 34, graduated from The University of Nottingham in the United Kingdom with a bachelor’s degree in Finance, Accounting and Management. He also holds a master degree of Laws (Corporate and Financial Law) from the University of Hong Kong. Mr. Ying is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Ying is currently a senior internal auditor in Allianz Asset Management GmbH (“Allianz”) and is responsible in leading audit projects including product management, investment processes, sales marketing, operations and finance within the Asia-Pacific region. Prior to joining Allianz in October 2016, Mr. Ying worked in an international audit firm as a manager in financial services assurance. Mr. Ying has over 12 years of experiences in the accounting, internal audit and corporate finance field.

**Mr. Liu Chun Ning Wilfred (“Mr. Liu”)**, aged 58, was appointed as an independent non-executive Director on 14 June 2018. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Liu has over 31 years of experience in the securities industry. From September 1987 to March 1989, he worked in Prudential – Bache Securities (Hong Kong) Limited as a financial broker. From April 1989 to June 1991, he worked in The Stock Exchange of Hong Kong Limited as a planning and development officer and then as a compliance supervisor. From July 1991 to October 1992, he worked in IBJ Asia Limited as a bond trader. From December 1993 to May 1998, he worked in Chong Hing Bank Limited as manager of the securities department and then as a senior manager of the securities department. From May 1998 to February 2014, he worked as an executive director of Chong Hing Bank Limited (Stock Code: 1111), a company listed on the Main Board of the Stock Exchange which is principally engaged in provision of banking and related financial services. He was in charge of the securities business division of this company.

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



## Biographical Details of Directors and Senior Management

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

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

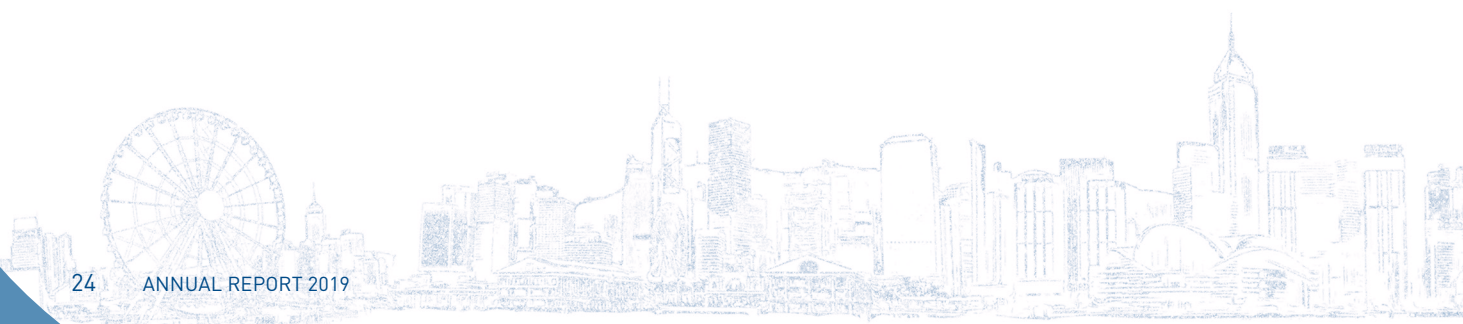
Mr. Liu obtained a bachelor of arts degree in economics from the University of Newcastle Upon Tyne, United Kingdom in July 1987.

**Dr. Yan Ka Shing (“Dr. Yan”)**, aged 34, was appointed as an independent non-executive Director on 14 June 2018. Dr. Yan is the Chairman of the Nomination Committee as well as a member of the Audit Committee and Remuneration Committee of the Company. He is primarily responsible for providing independent advice to the Board.

Dr. Yan has more than 8 years of experience in the medical industry and has been employed by the Hospital Authority since July 2011. He completed his housemanship in the Hospital Authority from July 2011 to June 2012. He then became a registered doctor and has served as a medical officer in various hospitals managed by the Hospital Authority in Hong Kong, since July 2012.

Dr. Yan obtained his Bachelor of Medicine and Bachelor of Surgery (MBBS) degree from the University of Hong Kong in November 2011, and the Membership of the Royal Colleges of Physicians of the United Kingdom (MRCP(UK)), a postgraduate medical diploma in the United Kingdom, in March 2016. He also obtained the Postgraduate Diploma in Infectious Diseases from the University of Hong Kong (PDiplD(HK)) in October 2019. Also, he has been a member of the Hong Kong Medical Association since July 2011.

Dr. Yan was appointed and has been an independent non-executive director, a member of the audit committee, remuneration committee and nomination committee of Glory Mark Hi-Tech (Holdings) Limited (Stock Code: 8159), since 5 December 2019.



# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

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

## DEPUTY CHIEF OPERATING OFFICER

Mr. Zhou Lele, aged 36, joined the Group in June 2012 and is primarily responsible for overall business development and strategic planning of global market for the Group. He has over 5 years of experience in the securities industry. Prior to joining the Group, he was the assistant to the chairman of the board of Tianjin Teda Landun Group from June 2008 to May 2010. He obtained a bachelor of science in applied chemistry from Xiangtan University (湘潭大學), Hu'nan Province, the PRC in June 2006 and a master of business administration degree (finance) from the Chinese University of Hong Kong in October 2011. He is currently licensed by the SFC to act as a Licensed Representative to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

## CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Kong Yan Yue ("Mr. Kong"), aged 38, was appointed as the chief financial officer of the Group since 18 March 2019. Mr. Kong joined the Group in December 2018. He has over 15 years of experience in auditing, accounting, corporate governance and corporate finance. Prior to joining the Group, he worked in the audit and assurance department of an international audit firm, and later he served key managerial roles in the finance department in several companies listed in the Stock Exchange of Hong Kong Limited. Mr. Kong holds a degree in accountancy and a master degree in corporate governance from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of certified public accountants and an associate member of the Hong Kong Institute of Chartered Secretaries.



# CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (“**GEM Listing Rules**”), the board (the “**Board**”) of directors (the “**Directors**”) of Victory Securities (Holdings) Company Limited (the “**Company**”) is pleased to present this corporate governance report for the year ended 31 December 2019. This report highlights the key corporate governance practices of the Company.

## CORPORATE GOVERNANCE PRACTICES

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

The Company’s corporate governance practices follow the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 15 of the GEM Listing Rules. For the year ended 31 December 2019, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the “**Required Standard of Dealings**”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealings during the year ended 31 December 2019.

## BOARD OF DIRECTORS

### Composition of the Board

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

#### Executive Directors

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

#### Non-Executive Director

Mr. Chan Ying Kit (*Chairman*)

#### Independent Non-Executive Directors

Mr. Liu Chun Ning Wilfred  
Dr. Yan Ka Shing  
Mr. Ying Wing Ho Peter (*appointed on 14 October 2019*)

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

# Corporate Governance Report

For the year ended 31 December 2019, the Company has held 10 regular Board meetings. The meetings were conducted on a live/tele-conference basis and the attendance of Directors is as follows:

<u>Name</u>	<u>Board meetings attended/eligible to attend</u>
<b>Executive Directors</b>	
Ms. Kou Kuen ( <i>Chief Executive Officer</i> )	10/10
Mr. Chiu Che Leung, Stephen	10/10
Mr. Chan Pui Chuen	10/10
Ms. Yao Yunzhu <sup>1</sup>	2/3
<b>Non-Executive Director</b>	
Mr. Chan Ying Kit ( <i>Chairman</i> )	10/10
<b>Independent Non-Executive Directors</b>	
Mr. Leung Kwong Kin <sup>2</sup>	7/7
Mr. Ying Wing Ho Peter <sup>3</sup>	2/2
Mr. Liu Chun Ning Wilfred	8/10
Dr. Yan Ka Shing	10/10

Notes:

- (1) Resigned on 21 May 2019.
- (2) Deceased on 31 August 2019.
- (3) Appointed on 14 October 2019.

## The Board

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

## Independent non-executive Directors

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

# Corporate Governance Report

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

## Non-executive Directors

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

## Board Meetings

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

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

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

## CONTINUOUS PROFESSIONAL DEVELOPMENT

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

# Corporate Governance Report

For the year ended 31 December 2019, all Directors, namely, Ms. Kou Kuen, Mr. Chiu Che Leung, Stephen, Mr. Chan Pui Chuen, Mr. Chan Ying Kit, Mr. Ying Wing Ho Peter, Mr. Liu Chun Ning Wilfred and Dr. Yan Ka Shing have participated in the relevant training courses and seminars or have perused relevant reading materials. The Directors had provided the relevant training records to the Company. Participation of continuing training courses of Directors is as follows:

Name	Reading materials <sup>1</sup>	Attending seminars/conferences <sup>2</sup>
<b>Executive Directors</b>		
Ms. Kou Kuen		✓
Mr. Chiu Che Leung, Stephen		✓
Mr. Chan Pui Chuen		✓
<b>Non-Executive Director</b>		
Mr. Chan Ying Kit	✓	✓
<b>Independent Non-Executive Directors</b>		
Mr. Ying Wing Ho Peter	✓	✓
Mr. Liu Chun Ning Wilfred	✓	✓
Dr. Yan Ka Shing	✓	

Notes:

- (1) materials relating to directors' duties and functions.
- (2) courses/seminars relating to directors' duties and functions, industry development, business ethics, regulatory updates and tax compliance.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

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

## BOARD COMMITTEES

To facilitate the work of the Board, the Board has delegated responsibilities to three committees, namely the audit committee, the nomination committee and the remuneration committee in order to maintain high standard of corporate governance of the Company.

# Corporate Governance Report

## AUDIT COMMITTEE

The audit committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules.

The main responsibilities of the audit committee of the Company include, but not limited to:

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

The audit committee, with the majority of its members being independent non-executive Directors, currently consists of two independent non-executive Directors and one non-executive Director, namely, Mr. Ying Wing Ho Peter (chairman of the Committee), Mr. Chan Ying Kit and Dr. Yan Ka Shing with written terms of reference in accordance with code provision C.3.3 and C.3.7 of CG Code.

For the year ended 31 December 2019, the audit committee held 4 meetings by means of live/teleconference. The audit committee has reviewed the quarterly reports for the three months and nine months ended 31 March 2019 and 30 September 2019 respectively, the interim report for the six months ended 30 June 2019 and the audited annual report for the year ended 31 December 2018 during the year ended 31 December 2019.

The members and attendance of the audit committee for the year ended 31 December 2019 are as follows:

Name	No. of meetings of the audit committee attended/eligible to attend
Mr. Ying Wing Ho Peter <sup>1</sup> ( <i>Chairman</i> )	1/1
Mr. Chan Ying Kit	4/4
Dr. Yan Ka Shing	4/4
Mr. Leung Kwong Kin <sup>2</sup>	3/3

(1) Appointed on 14 October 2019.

(2) Deceased on 31 August 2019.

## REMUNERATION COMMITTEE

The remuneration committee has been established with written terms of reference in compliance with code provision B.1.2 of the CG Code.

The main responsibilities of the remuneration committee of the Company include, but not limited to:

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

The remuneration committee, with the majority of its members being independent non-executive Directors, currently consists of two independent non-executive Directors and one executive Director, namely Mr. Ying Wing Ho Peter (chairman of the Committee), Ms. Kou Kuen and Dr. Yan Ka Shing.

For the year ended 31 December 2019, the remuneration committee held 2 meetings by means of live/teleconference. The members and attendance of the remuneration committee for the year ended 31 December 2019 are as follows:

Name	No. of meetings of the remuneration committee attended/eligible to attend
Mr. Ying Wing Ho Peter <sup>1</sup> ( <i>Chairman</i> )	0/0
Ms. Kou Kuen	2/2
Dr. Yan Ka Shing	2/2
Mr. Leung Kwong Kin <sup>2</sup>	1/1

(1) Appointed on 14 October 2019.

(2) Deceased on 31 August 2019.



# Corporate Governance Report

A summary of the work performed by the remuneration committee for the year ended 31 December 2019 is set out as follows:

- i. reviewed the Directors' fees and made recommendation to the Board;
- ii. reviewed the current remuneration structure/package of the executive Directors and senior management and recommended the Board to approve their specific packages; and
- iii. made recommendation to the Board to adopt a revised term of reference of the remuneration committee.

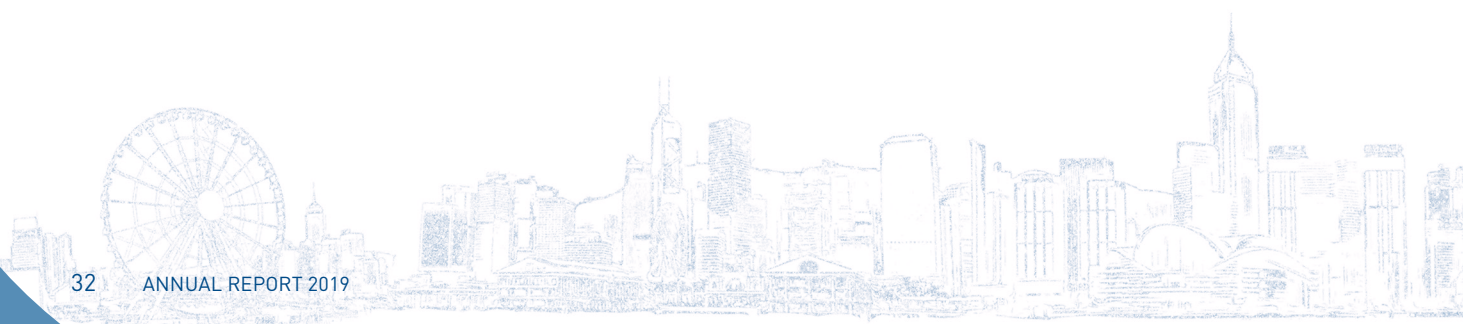
## NOMINATION COMMITTEE

The nomination committee has been established with written terms of reference in compliance with code provision A.5.2 of the CG Code.

The main responsibilities of the nomination committee of the Company include, but not limited to:

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

The nomination committee, with the majority of its members being independent non-executive Directors, currently consists of two independent non-executive Directors and one executive Director, namely Dr. Yan Ka Shing (chairman of the Committee), Mr. Chan Pui Chuen and Mr. Ying Wing Ho Peter.



# Corporate Governance Report

For the year ended 31 December 2019, the nomination committee held 3 meetings by means of live/teleconference to review the structure, size and composition of the Board and recommend the appointment of an additional board member. The members and attendance of the nomination committee for the year ended 31 December 2019 are as follows:

Name	No. of meetings of the nomination committee attended/eligible to attend
Dr. Yan Ka Shing ( <i>Chairman</i> )	3/3
Mr. Chan Pui Chuen	3/3
Mr. Ying Wing Ho Peter <sup>1</sup>	0/0
Mr. Leung Kwong Kin <sup>2</sup>	2/2

(1) Appointed on 14 October 2019.

(2) Deceased on 31 August 2019.

## Board Diversity Policy

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

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

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

# Corporate Governance Report

## EMOLUMENTS TO DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Code Provision B.1.5, the emoluments paid to the Directors and senior management (exclude commission paid) whose details are disclosed in the section headed “Biographical Details of Directors and Senior Management” for the year ended 31 December 2019 by band are as follows:

<u>Remuneration Band</u>	<u>Number of individuals</u>
Nil to HK\$1,000,000	7
HK\$1,000,001 to HK\$1,500,000	2

## CORPORATE GOVERNANCE FUNCTIONS

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

The Board has reviewed the Group’s policies and practices on corporate governance practices and compliance with legal and regulatory requirements including compliance with the Code for the year ended 31 December 2019.

## DIRECTORS’ RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities to prepare the Company’s consolidated financial statements for the financial year ended 31 December 2019 which reflect a true and fair view of the state of affairs of the Company and in presenting the quarterly, interim and annual financial statements, and announcements to the Shareholders, the Directors aim at presenting a balanced, cleared and comprehensive assessment of the Company’s performance, its current position and future prospects. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company’s ability to continue as a going concern.

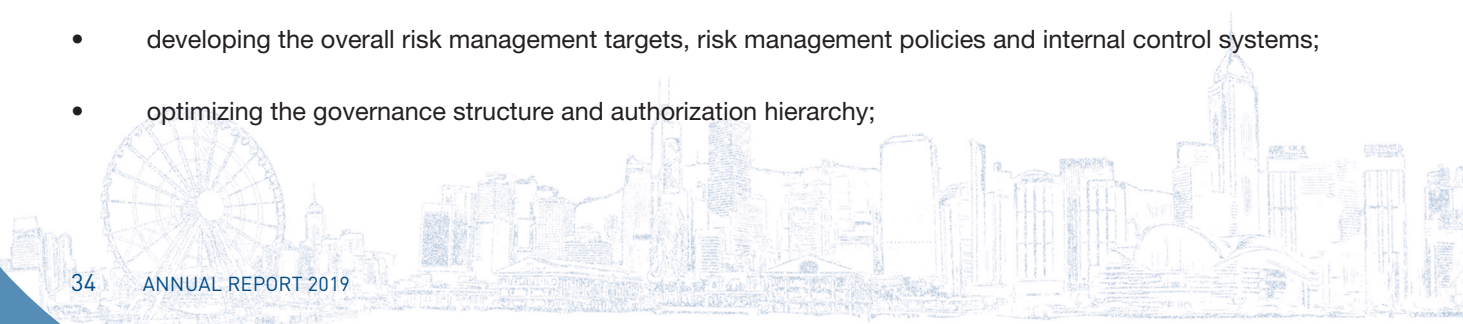
## RISK MANAGEMENT AND INTERNAL CONTROL

### Summary

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

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

- developing the overall risk management targets, risk management policies and internal control systems;
- optimizing the governance structure and authorization hierarchy;



# Corporate Governance Report

- guiding and defining the limits for specific risk management work; and
- authorizing responsibilities to other departments.

Based on the risk assessments conducted in 2019, the details of significant risks and the relevant risk responses are highlighted as follow:

Risk Categories	Risk Title	Risk Description	Risk Response
Strategic	(1) Economic uncertainty and volatility in the performance of the financial markets due to the world tension	This is a high-level and corporate-wide risk, which includes political risk, regulatory risk, reputation risk, leadership risk, and market brand risk	(1) The performance of the financial market is not controllable. The market turnover of the Hong Kong stock market in year 2019 was badly affected by the adverse economic atmosphere. The Group can only closely monitor and try to mitigate the risks at the current stage. The Group has also established new sources of income during the year, including provision of financial advisory services and insurance consultancy services to diversify the concentration risk of the traditional securities broking services
	(2) Market competition and business concentrated in Hong Kong	A possible source of loss that might arise from the pursuit of an unsuccessful business plan	(2) During the year, the Group introduced various marketing activities to attract potential and existing customers. The goal of this promotion strategy in marketing is to increase market awareness and to establish long-term relationship with the customers. The Group has also optimized and stabilized its trading platform and mobile application to provide a superior service to clients
Operational	High turnover rate of marketing officers	The Group strived to find a suitable candidate to lead the marketing department and monitor marketing activities of the Group	Creativity and innovation are key performance indicators as a marketing officer and are immeasurable. A compensating measure is performed by the human resource department in the recruitment and interview process. The Group has already hired a suitable candidate to monitor forthcoming marketing activities and promotional events
Financial & Reporting	Acquisition of Victory Insurance Consultants Limited ("Victory Insurance")	To ensure the acquired subsidiary complies with the statutory requirements, and also to maintain the consistency on financial and management reporting	The Group retained staffs who previously worked in Victory Insurance and possessed professional experience in the insurance industry after the acquisition. Therefore, it can reduce the chance of incompliance with respective laws and regulations.  The Group has also shared resources such as compliance, IT and accounting to Victory Insurance. The compliance department will provide independent advice to Victory Insurance if necessary. The accounting department whose employees possessed professional qualification will primarily responsible for the preparation of financial statements. IT department will help in enhancing the systems for operation and management reporting purposes.

# Corporate Governance Report

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

## Internal Audit Function

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

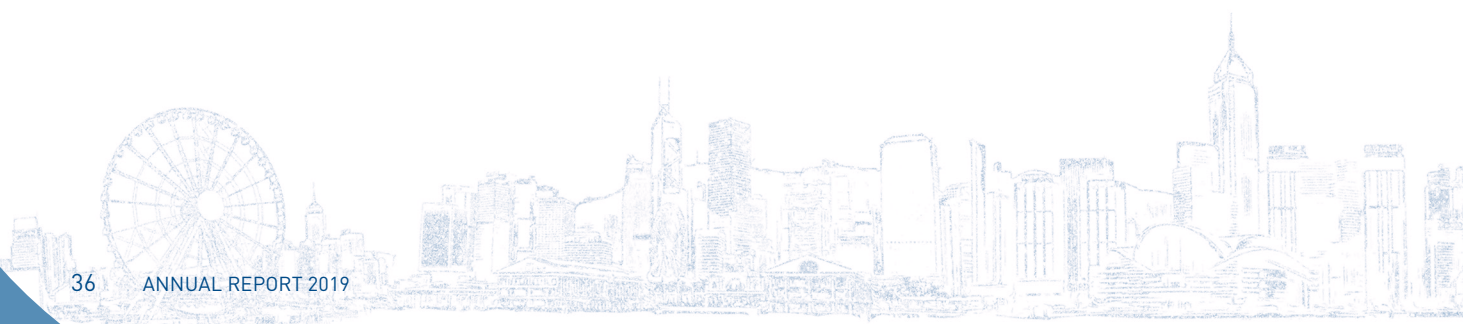
## Handling and Dissemination of Inside Information

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

## Risk Management and Internal Control Process

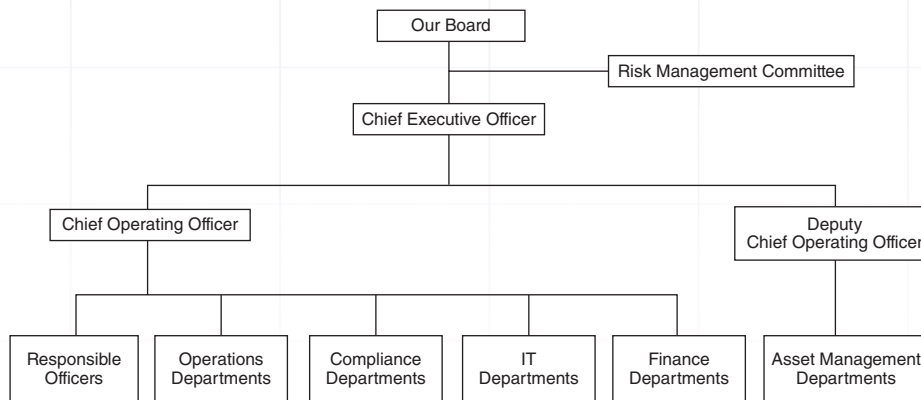
Risk taking is a necessary and accepted part of the Company's business. The Board has taken sufficient steps to identify, assess, update and monitor the risks associated with its financial, operational and compliance activities. The Group's principal businesses are exposed to two major types of business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

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



## Risk management structure

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



## Risk Management Committee

A risk management committee was established in 2017. The main responsibilities of the risk management committee of the Company include, but not limited to:

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

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

## Responsible Officers

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

## Operations departments

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

# Corporate Governance Report

## Compliance department

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

## IT department

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

## Finance department

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

## AUDITOR'S STATEMENT AND REMUNERATION

A statement by the Group's auditors on their reporting obligations in respect of the Group's financial statements for the year ended 31 December 2019 is set out in the "Independent Auditor's Report" section of this annual report.

For the year ended 31 December 2019, the amount of fees in respect of audit and non-audit services paid/payable to the auditor of the Group, Ernst & Young, Certified Public Accountants, was set out below:

	2019 HK\$	2018 HK\$
Audit services		
– Annual audit	600,000	480,000
– Listing	–	871,000
Non-audit services		
– Review and taxation	246,000	233,500
	846,000	1,584,500

## COMPANY SECRETARY

Mr. Kong Yan Yue (“**Mr. Kong**”) was appointed by the Board as the company secretary with effect from 16 October 2019 following the resignation of Mr. Wong Wai Chiu (*FCIS, FCS*) and Mr. Chan Pui Chuen on the same date. Mr. Kong is the chief financial officer of the Company and the Group since March 2019 and has day-to-day knowledge of the Group’s affairs. He reports to the Chairman and CEO and assists the Board to function effectively. All the Directors could have access to the advice and services of the company secretary at any time in relation to their duties and operation of the Board. During the year ended 31 December 2019, the company secretary complied with the qualification and training requirements under the GEM Listing Rules. The biographical details of Mr. Kong are set out under the section “Biographical Details of Directors and Senior Management”.

## SHAREHOLDERS’ RIGHTS

### Procedures for the Shareholders to convene an extraordinary general meeting

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

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

### Procedures for the Shareholders to put their enquiries to the board

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

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

Shareholders are encouraged to direct their questions about their shareholdings to the Company’s share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.



# Corporate Governance Report

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

## Procedures for putting forward proposals by Shareholders at Shareholders’ meetings

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

## INVESTOR RELATIONS

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

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

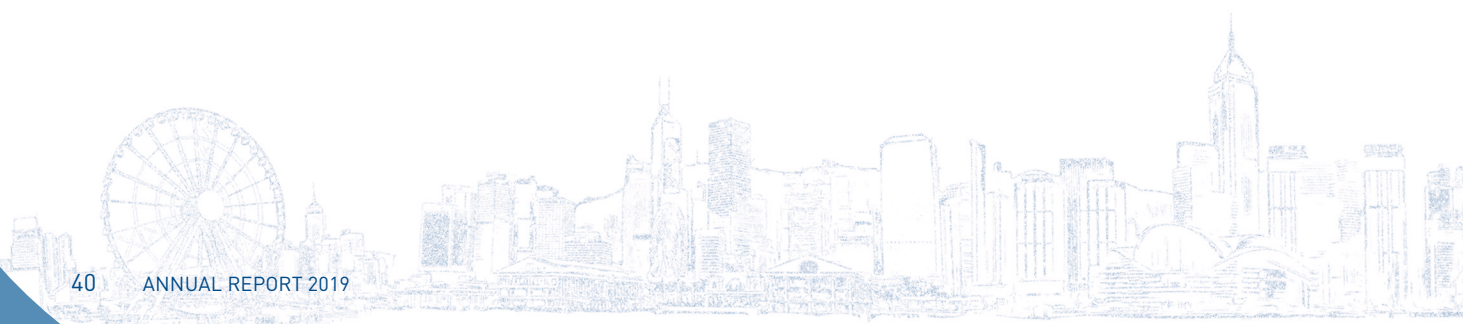
The procedures to elect directors were uploaded to the Company’s website (<https://www.victorysec.com.hk/tw/investor-relations/procedures-for-shareholders-to-propose-a-director>).

## CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles of Association. During the year ended 31 December 2019, there had not been any changes in the Company’s constitutional documents.

## DIVIDEND POLICY

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



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Victory Securities (Holdings) Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is pleased to present this environmental, social and governance Report (the “ESG Report”). This ESG Report discloses and summarises the policies and performance of the Group in respect of the environmental, social and governance (“ESG”) responsibilities which are considered as material during the year ended 31 December 2019.

## SCOPE AND REPORTING PERIOD

The concept of sustainability has been an evolving topic in recent decades, it is becoming a key concern that draws the attention of stakeholders. The Group values sustainability principles and strives to promote environmental initiatives and corporate social responsibilities throughout corporate development.

The ESG Report is prepared to describe the Group’s efforts for creating sustainability for its stakeholders during the reporting period from 1 January 2019 to 31 December 2019.

The report was prepared following requirements at the ESG Reporting Guide set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

## ENVIRONMENTAL

### Policies on environment and energy

The Group consumed mainly on two types of resources, namely electricity and fuels for transportation, and there was no water consumption during the year. The Group establishes environmental policies internally to demonstrate the commitment of the Group and management in promoting values of sustainability. Staff representatives are also involved in the planning and establishment of environmental policies to further promote engagement of different stakeholders.

### Use of Resources

#### *Electricity and Energy Usage*

The Company is an investment holding company, the subsidiaries were principally engaged in the businesses of securities broking, placing and underwriting services and advising on securities services, financing services, asset management services, financial advisory services and insurance consultancy services in Hong Kong. As the Group’s business nature is the provision of financial services in Hong Kong and primarily an office-based group with relatively low energy, power and resources consumption, its direct environmental impact is immaterial in the process of the Group’s daily operation and business development.

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

The office consumed 56,973.00 kilowatt-hours (“kWh”) of electricity during the reporting period (2018: 57,293.00 kWh). The major energy-consuming equipment includes lighting, air-conditioning, computers, copying machine and some small power equipment. The Group owns two vehicles for daily commute for business purpose. A total of 667.41 litres of unleaded petrol were used by the vehicles during the reporting period (2018: 1,604.03 litres).

# Environmental, Social and Governance Report

## Greenhouse Gas (“GHG”) emissions

The GHG emissions emitted by the Group’s business operation in 2019 were approximately 57 tonnes (2018: 58 tonnes) of carbon dioxide equivalent (“CO<sub>2</sub>e”) and mainly produced from three types of activities, including direct emissions of Carbon Dioxide (“CO<sub>2</sub>”), Methane (“CH<sub>4</sub>”) and Nitrous Oxide (“N<sub>2</sub>O”) from company-owned vehicles, indirect emissions from electricity consumed by the company’s office and other indirect emissions from business air travel for company staff.

## Vehicles owned by the Group

During the reporting period, the Group consumed 667.41 litres (2018: 1,604.03 litres) of unleaded petrol in its vehicles. The consumption of unleaded petrol has released 1.81 tonnes (2018: 4.34 tonnes) CO<sub>2</sub>e of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. In purchasing its fuel, the Group takes environmental protection and energy efficiency into due consideration.

## Electricity Consumption

The office of the Group consumed 56,973.00 kWh (2018: 57,293.00 kWh) of electricity during the reporting period. Regarding the GHG Emission Factor provided by the power company, electricity consumption of the Group has released 45.58 tonnes (2018: 45.26 tonnes) of CO<sub>2</sub>e during the reporting period. The Group encourages the adoption of energy-saving and environmentally-friendly practices in daily office operation. Measures were taken for energy conservation, including but not limited to:

- Purchase energy-saving office equipment and appliances, such as the use of LED lights and energy-saving light bulbs.
- Turn off lights and electronic appliances in the office premise when not in use.
- Implement ongoing improvements to equipment including illumination and air-conditioning systems to uplift the overall energy efficiency.
- Turn off the power for each department’s computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.
- Oversee electricity bills regularly to monitor the energy performance of the office.
- Maintain the temperature setting of air-conditioners between 24–26°C following recommendations of the Environmental Protection Department.

## Business Air Travel of Staff

Business travels by air contributed to GHG emissions. Business air travels to other cities are mostly short-haul. The total number of business air travel during the reporting period is 62 times (2018: 64 times). With reference to the International Civil Aviation Organization (“ICAO”), the GHG emissions from the air trips are 10.10 tonnes (2018:8.84 tonnes) CO<sub>2</sub>e in total.

## Waste Produced

### Hazardous and Non-hazardous waste

No hazardous wastes or packaging materials are produced from the business operations of the Group due to the business nature. The type of non-hazardous waste produced by the Group is mainly solid waste from daily business operations, comprising of used paper and daily office waste.

# Environmental, Social and Governance Report

With the growing awareness for reduction of waste, other than formal documents that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, double-sided printing or using recycled paper is highly recommended except for formal and confidential documents. Furthermore, to reduce one-off consumption, refillable or reusable stationery are procured for the office.

In recent years, the Group widely adopted digitized services including electronic statements, electronic mails and messaging tools to disseminate the latest information to its customers. The policies for a paperless workplace contribute to environmental protection as well as saving on operating expenses.

## *Breakdown of GHG Emissions*

GHG mainly comprises of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. The Group's operation emitted a total of 57.49 tonnes (2018: 58.44 tonnes) of CO<sub>2</sub> GHG during the reporting period. To account for direct and indirect emissions, different types of emissions are categorized into "scopes" as follows:

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

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

## *Table on GHG Emission Data*

Scope of GHG emissions	Sources of GHG emissions	Consumption	CO <sub>2</sub> e emissions (tonnes)	Intensity (CO <sub>2</sub> e tonnes per fulltime staff)
Scope 1 Direct emissions	Consumption of unleaded petrol by the Group's fleet of vehicles	667.41 litres	1.81	0.04
Scope 2 Indirect emissions	Purchase and use of electricity	56,973.00 kWh	45.58	1.01
Scope 3 Other indirect emissions	Business air travel of employees	62 times	10.10	0.22
Total GHG emissions			57.49	1.27

# Environmental, Social and Governance Report

## Environmental Policies

The Group is committed to providing quality financial services to its clients in a manner that minimizes its potential adverse impact on the environment. The Group seeks to achieve sustainability principles by following the internal environmental policies which focus on energy management and waste management during business operations. The Group aims to improve the energy efficiency of the office premise and promote energy conservation to staff.

As a supporter of environmental protection, the Group also strives for a paperless working environment and considers the importance of waste reduction in business operations. Waste management facilities such as recycling bins and promotional posters and signage have been adopted which bring out the values of “consume less, produce less waste, and reuse or recover value from waste”.

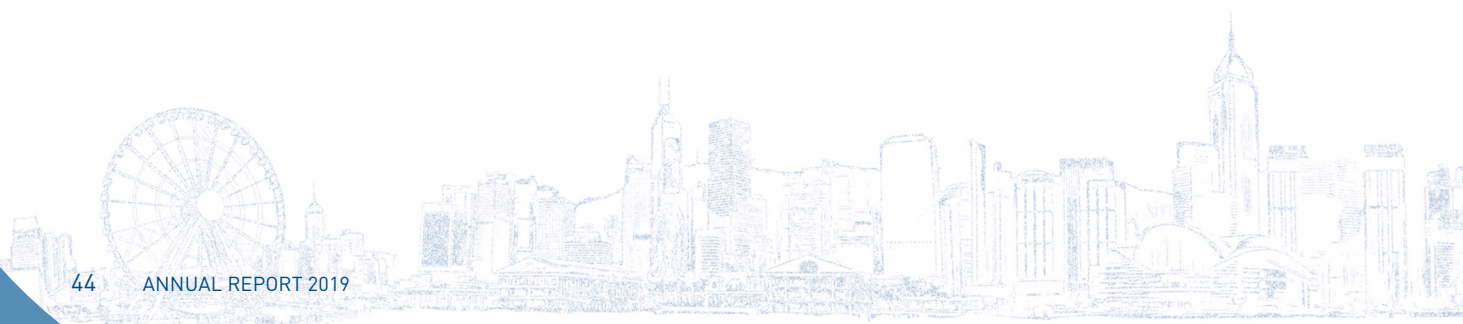
## SOCIAL

### Employment and Labour Practices

#### *Employment*

As of 31 December 2019, the Group had a total headcount of 45 employees (excluding independent non-executive directors), all of whom were full-time employees.

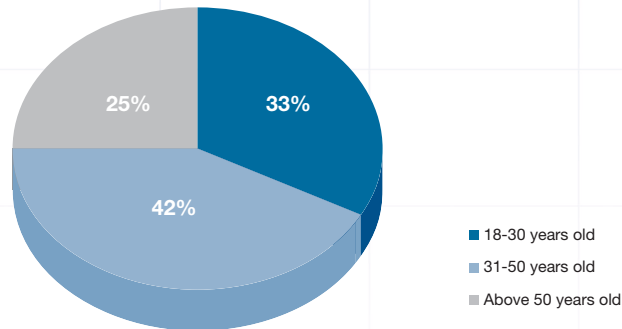
The Group believes that employee health and well-being is critical to the business and can improve employees' motivation and production. The Group has developed a staff manual that regulates the recruitment, promotion, discipline, working hours etc. All employees are entitled to medical insurance, discretionary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



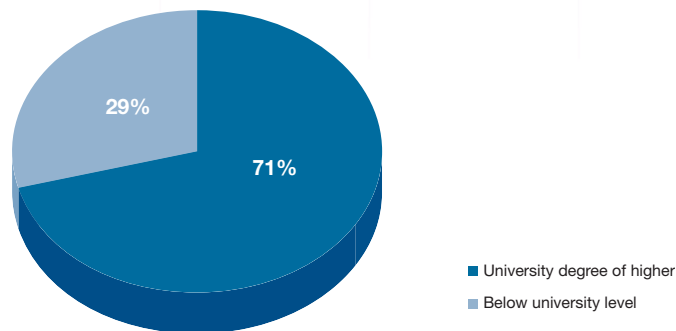
# Environmental, Social and Governance Report

Analysis of workforce of the Group is set out below:

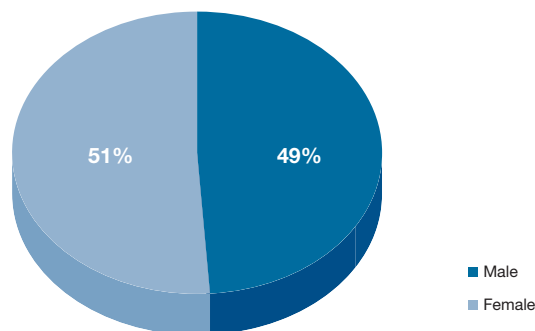
## Age Distribution



## Employees' Qualifications



## Gender Distribution



The Group emphasised on equal opportunities for all employees in respect of hiring, salaries, training and development, promotion and other aspects of employment.

The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competency that contribute to the Group's success. The Group was committed to providing a work environment free from any form of discrimination on the grounds of gender, ethnicity, race, disability, age, religious belief, sexual orientation or family status. Diversity is well supported in the Group's corporate culture.

# Environmental, Social and Governance Report

Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success and maintaining good labour relation is essential for sustainable development of our business. Staff turnover rate among managerial positions is relatively low, reflecting a high level of employee satisfaction and engagement with the Group.

During the year ended 31 December 2019, the Group is not aware of any material non-compliance with any applicable laws and regulations, including but not limited to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), the Employment Ordinance (Chapter 57 of the laws of Hong Kong), the Minimum Wages Ordinance (Chapter 608 of the laws of Hong Kong) and the Personal Data Privacy Ordinance (Chapter 486 of the laws of Hong Kong) in relation to employment matters.

## *Health and safety*

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

Occupational health and safety of its employees are of paramount importance to the Group. To strive for a safe and comfortable working environment for its employees, the Group organizes health seminars and implements safety measures such as regular inspections on ventilation systems and office facilities. The Group also establishes medical subsidies and encourages its employees to perform regular medical check-ups to safeguard their health.

During the year ended 31 December 2019, the Group had not experienced any non-compliance with the relevant health and safety laws and regulations.

## *Work-life balance*

Apart from the legal benefits, the Group would organise social welfare activities during traditional festivals and on special occasions, with the aim to cultivate a positive working atmosphere and to build a cohesive team. The Group has emphasized the holistic development of its employees. The Group is dedicated to helping employees to maintain a work-life balance through reasonable vacation entitlements, as well as actively organizing a wide variety of recreational and leisure activities, such as Lunar New Year party, Christmas party and lucky draws. Furthermore, a regular gathering organized by the Group to enhance the health and well-being of its employees, as well as to strengthen the connections and teamwork among everyone in the Group as a whole.

## *Development and training*

The Group believes that employees are one of the most important assets of the Company, and invests heavily in employee development and training, and that employees can grow with the Group by realising their own values on the basis of their personal interests and expertise.

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



# Environmental, Social and Governance Report

The Group encourages and subsidizes employees at different job grades to enroll and/or participate in external development or training courses in support of their career and professional development. The Group also provides in-house training courses monthly on different areas such as corporate governance and compliance to rules and regulations applicable to listed companies, industry-specific regulatory requirements, accounting and finance as well as updates on industry development. The Group has adopted relevant policies to ensure that employee training is provided and managed systematically.

The Group has a well-established performance management system. A performance assessment for each employee is conducted by that employee's supervisor annually and employees are required to work with their supervisors to set a performance target after each assessment. Supervisors are encouraged to provide constructive feedback regularly to assist the personal growth of each employee.

## *Labour standards*

The Group prioritises the basic rights and interests of its employees, and is committed to establishing an inclusive culture and embracing the diverse backgrounds of employees. The Group's employee handbook covers policies and guidelines related to employment practices, such as working hours, rest periods, equal opportunity, anti-discrimination and other benefits and welfare, etc. All recruitment, remuneration, training and promotion mechanisms are carried out impartially, and individuals are assessed solely based on professional experience and/or work performance. The management of the Group regularly reviews its internal management system, and revises its remuneration and welfare policies according to changes in labour laws, to ensure that its employees enjoy all statutory rights.

Recruitment is conducted by the human resources department of the Group according to applicable laws and regulations such as the Employment Ordinance and the Occupation Safety and Health Ordinance in Hong Kong. The Group has established a standard and comprehensive recruitment procedure in confirming the identity of the new employee to ensure there is no child labour or forced labour. For the year ended 31 December 2019, the Group has observed no labour standards non-compliance with relevant laws and regulations.

## **Operating practices**

### *Supply chain management*

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

### *Product responsibility and customer services*

The Group has set up comprehensive internal control and compliance procedures to ensure full compliance with all relevant laws and regulations by the Group's members. Concerning the financial services business, the compliance department is responsible for ensuring that business operations comply with laws and regulations. Furthermore, it keeps a close eye on changes to laws and regulations in the areas where it operates and makes appropriate and timely adjustments in its internal control policies.



# Environmental, Social and Governance Report

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

The Group believes that maintaining a continuing dialogue with clients and other stakeholders is a key to enhance investor relations. While providing professional and responsive services to its customers, its services may fall short of their initial expectations. Thus, a mechanism has been established to effectively respond to requests or complaints. With the various communication channels, including representatives, customer hotline, e-mail and corporate web page, all disputes and complaints are investigated and resolved promptly. Complaints are dealt with independently by the compliance department, which replies accordingly to the respective customers and/or relevant law enforcement bodies.

## *Compliance with laws and regulations*

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

During the year ended 31 December 2019, the Group is not aware of any material non-compliance with any applicable laws and regulations on the part of the Group that would have or would likely have a material adverse effect on the Group.

## *Protection of data*

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

## *Anti-corruption*

The Group strictly abided by the regulations pertinent to anti-corruption, anti-bribery and anti-money laundering, etc. The Group has implemented commercial bribery prevention management policies on anti-corruption and anti-money laundering to achieve the business philosophy of providing reliable services.

With reference to the "Guideline on Anti-Money Laundering and Counter-Terrorist Financing" issued by the SFC, the business team eliminated any illegal activities such as money laundering by formulation and implementation of the corresponding policies, procedures and control measures in accordance with the relevant provisions and standards for combating money laundering and terrorist financing. The Group combatted money laundering by establishment of effective reporting mechanism and due diligence assessment of various risks associated with country, customer, product and/or service.

# Environmental, Social and Governance Report

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

For the year ended 31 December 2019, the Group is not aware of any material non-compliance with the legislation on standards of conduct, such as the Prevention of Bribery Ordinance in Hong Kong, in relation to the Group's business operation.

## COMMUNITY

### Community investment

Recognizing the responsibility of a good corporate citizen to contribute to the community, the Group recognizes the importance of donating to charitable organizations, as well as advocating employees to participate in volunteering activities. The Group will consider making donations to charities when the Group records after-tax profits and has sufficient funds.

In 2019, The Group donated to The Chinese Gold & Silver Exchange Society Charity Fund Limited in support of the provision of educational and medical services and construction of the community.

The Group also encourages its employees to participate in philanthropic events. During the year, they joined in a volunteering activity organized by Soap Cycling Limited, a multinational non-profit organization which aims to reduce preventable child deaths in Southeast Asian countries and to promote the ideas of Millennium Development Goal 4 ("MDG4") to reduce the under-five mortality rate, understanding concepts of MDG4 and soap cycling works.

During the year, the Group has donated to Soap Cycling Limited in support of the collection, provision and distribution of used soap bars and bottled amenities to disadvantaged communities around the world, particularly Asia, in the fight against disease and malnutrition.



## REPORT OF THE DIRECTORS

The board (the “Board”) of directors (the “Directors”) of Victory Securities (Holdings) Company Limited (the “Company”) are pleased to present this annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019 (the “Consolidated Financial Statements”).

### PRINCIPAL ACTIVITIES

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

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 72 to 73 of this annual report.

An interim dividend of HK1.20 cent per share for the six months ended 30 June 2019 (for the six months ended 30 June 2018: HK1.00 cent per share) amounting to approximately HK\$2,400,000 was paid to the shareholders of the Company (“Shareholders”) on 13 September 2019.

The Board recommended the payment of a final dividend of HK1.60 cents per share for the year ended 31 December 2019 (for the year ended 31 December 2018: HK1.50 cents per share), amounting to approximately HK\$3,200,000 to those Shareholders whose names appear on the register of members at the close of business on Tuesday, 2 June 2020, subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Thursday, 28 May 2020 (“2020 AGM”). It is expected that the final dividend will be paid on or about Wednesday, 24 June 2020, if approved.

### CLOSURE OF REGISTER OF MEMBERS

#### To be eligible to attend and vote at the 2020 AGM

The register of members of the Company will be closed from Friday, 22 May 2020 to Thursday, 28 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2020 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 21 May 2020.

#### To qualify the proposed final dividend

The register of members of the Company will also be closed from Wednesday, 3 June 2020 to Friday, 5 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 2 June 2020.

## **BUSINESS REVIEW**

The fair review of the Group's business, a discussion and analysis of the Group's performance for the year ended 31 December 2019 and an analysis of the likely future development of the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 5 and pages 7 to 20 of this annual report respectively. Description of the principal risks and uncertainties facing the Group and the Board approach to these risks are set out in the Corporate Governance Report from pages 26 to 40 and note 35 to the financial statements respectively.

## **USE OF PROCEEDS FROM SHARE OFFER**

Details on the use of proceeds from share offer as at the date of this annual report are set out on page 16 in the section headed "Management Discussion and Analysis" to this annual report.

## **FINANCIAL SUMMARY**

A summary of the published results and of the assets and liabilities of the Group for the last three financial years is set out on page 158 of this annual report.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year ended 31 December 2019, the Group acquired property and equipment at a cost of approximately HK\$131,781.

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 15 to the financial statements.

## **BANK BORROWINGS**

Particulars of bank borrowings of the Group as at 31 December 2019 are set out in note 26 to the financial statements.

## **SHARE CAPITAL**

Details of movements in the Company's share capital during the year ended 31 December 2019 are set out in note 29 to the financial statements.

## **RESERVES**

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 75 of this annual report.

## **DISTRIBUTABLE RESERVES OF THE COMPANY**

As at 31 December 2019, the Company's reserves available for distribution amounted to approximately HK\$50,310,233. The amount represents the sum of the Company's share premium and accumulated loss, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

# Report of the Directors

## PRE-EMPTIVE RIGHTS

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

## EQUITY-LINKED AGREEMENTS

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the aggregate amount of turnover attributable to the Group's five largest customers accounted for 26.2% (2018: 31.5% (restated)) of the Group's total turnover. The largest customer accounted for 9.7% (2018: 11.9% (restated)) of the Group's total turnover. None of the Directors or any of their close associates (as defined in the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("GEM Listing Rules")) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

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

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section "Future Plans and Use of Proceeds" of the Prospectus and in the section "Management Discussion and Analysis" of this report, the Group does not have other plans for material investments and capital assets as at 31 December 2019.

## DIRECTORS

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

### Executive Directors:

Ms. Kou Kuen (*Chief Executive Officer*)  
Mr. Chiu Che Leung, Stephen  
Mr. Chan Pui Chuen  
Ms. Yao Yunzhu (*resigned on 21 May 2019*)

### Non-Executive Directors:

Mr. Chan Ying Kit (*Chairman*)

### Independent Non-executive Directors:

Mr. Leung Kwong Kin (*deceased on 31 August 2019*)  
Mr. Ying Wing Ho Peter (*appointed on 14 October 2019*)  
Mr. Liu Chun Ning Wilfred  
Mr. Yan Ka Shing

# Report of the Directors

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

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

Accordingly, Mr. Chan Pui Chuen, Mr. Chan Ying Kit, and Mr. Ying Wing Ho Peter will retire by rotation at the AGM and, being eligible, have offered themselves for re-election at the AGM.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 21 to 25 in the section headed “Biographical Details of Directors and Senior Management” to this annual report.

## **DIRECTORS’ SERVICE CONTRACTS**

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

## **DIRECTORS’ INDEMNITIES AND INSURANCE**

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

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

## **MANAGEMENT CONTRACTS**

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



# Report of the Directors

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

As at 31 December 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 <sup>(1)</sup>	Interested in a controlled corporation	113,446,250	56.72%
	Beneficial owner	2,100,000	1.05%
Mr. Chan Ying Kit <sup>(1) and (2)</sup>	Interest of spouse	115,546,250	57.77%
Mr. Chiu Che Leung, Stephen	Beneficial owner	3,000,000	1.50%

Notes:

- (1) Dr. TT Kou's Family Company Limited (“DTTKF”) is the registered owner of 113,446,250 shares, representing 56.72% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Mr. Chan Pui Chuen, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan, Mr. Ko Yuen Fai and Mr. Ko Yuen Sing in the proportion of approximately 73.40%, 13.65%, 6.61%, 2.59%, 2.50% and 1.25%, respectively. Accordingly, Ms. Kou Kuen is deemed to be interested in all shares held by DTTKF under the SFO.
- (2) Mr. Chan Ying Kit is the spouse of Ms. Kou Kuen. Under the SFO, Mr. Chan Ying Kit is deemed to be interested in the same number of shares in which Ms. Kou Kuen is interested.

## (ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of shares	% of the total number of issued shares of the Company
Ms. Kou Kuen	DTTKF	Beneficial owner	111,031,667	73.40%
Mr. Chan Pui Chuen	DTTKF	Beneficial owner	20,640,000	13.65%
Mr. Chan Ying Kit	DTTKF	Beneficial owner	10,000,000	6.61%

Save as disclosed above, as at 31 December 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 31 December 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 <sup>(1)</sup>	Beneficial owner	113,446,250	56.72%

Note:

- (1) DTTKF is the registered owner of 113,446,250 shares, representing 56.72% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Mr. Chan Pui Chuen, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan, Mr. Ko Yuen Fai and Mr. Ko Yuen Sing in the proportion of approximately 73.40%, 13.65%, 6.61%, 2.59%, 2.50% and 1.25%, respectively. Accordingly, Ms. Kou Kuen is deemed to be interested in all shares held by DTTKF under the SFO.



## Report of the Directors

Save as disclosed above, as at 31 December 2019, the Company has not been notified by any persons, other than the Directors and the chief executives who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Scheme”) on 14 June 2018. The purpose of the Scheme is to enable the Company to grant options to selected participants to recognize and acknowledge the contributions made or may make to the Group.

#### Participants

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

- (a) any Director, employee or officer of any company in our Group who is employed by any company in our Group (whether full time or part time) (the “Employee”), consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company (the “Affiliate”); or
- (b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, Employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or the Affiliate; or
- (c) a company beneficially owned by any Director, Employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or the Affiliate.

#### Basis of exercise price

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

- (a) the closing price of a share as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the relevant Option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (the “Trading Day”);
- (b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the date of grant of the relevant Option; and
- (c) the nominal value of a share on the date of grant.

## Shares available for issue under the Share Option Scheme

As at the date of this annual report, the total number of shares available for issue under the share option scheme was 18,263,000 shares, representing approximately 9.13% of the issued shares of the Company.

## Maximum entitlement of each Eligible Participant

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

## Time of exercise of Option

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

## Period of the Share Option Scheme

Subject to the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme was adopted, after which no further Options will be issued but the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme.

## Details of the Scheme

The details of the Scheme and the movements of the share options under the Scheme during the year ended 31 December 2019 are set out as follows:

Category of participants	Date of grant	Exercise and vesting period	Exercise price per share (HK\$)	Number of share options					Outstanding as at 31 December 2019
				Outstanding as at 1 January 2019	Granted during the year <sup>(1)</sup>	Lapsed or forfeited during the year <sup>(2)</sup>	Exercised during the year	Cancelled during the year	
Employees	18 January 2019	18 January 2020 to 17 May 2020	1.25	-	1,737,000	(325,000)	-	-	1,412,000
<b>Total</b>				-	1,737,000	(325,000)	-	-	1,412,000

Notes:

- (1) The Company received a consideration of HK\$1.00 from each of the grantees for the Options granted on 18 January 2019.
- (2) The Options were held by grantees who ceased to be employees of the Group during the year.

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the year ended 31 December 2019.

# Report of the Directors

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

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

## **SIGNIFICANT CONTRACT BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS**

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

## **COMPETING INTERESTS**

Save for the continuing connected transactions as disclosed in the section headed "Continuing Connected Transactions" in the "Report of the Directors" in this report, none of the Directors or the controlling shareholders of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in business that competed or might compete with business of the Group during the year ended 31 December 2019.

## **EMOLUMENT POLICY**

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

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

Details of the emoluments of the Directors and chief executives and the five highest paid individuals of the Group are set out in note 10 and note 11 to the financial statements.

## CONTINUING CONNECTED TRANSACTIONS

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

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

Nature of transaction	Pricing policy	(1) Date of agreement (2) Terms	Amount for the year ended 31 December 2019
Provision of financing services to Ms. Kou’s Group, Mr. Ko’s Group and Mr. Chiu’s Group	(1) Non-IPO financing services: 7.25% to 7.375% per annum	(3) 14 June 2018	Ms. Kou’s Group Non-IPO Financing: HK\$11,690,240.96
	(2) IPO financing services: 2% to 2.7% per annum	(4) 16/07/2018 to 31/12/2020 (can be terminated by either party with seven days prior written notice)	IPO Financing: HK\$2,622,664.94  Mr. Ko’s Group Non-IPO Financing: HK\$1,339,357.48 IPO Financing: HK\$257,266.61
			Mr. Chiu’s Group Non-IPO Financing: Nil IPO Financing: Nil

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

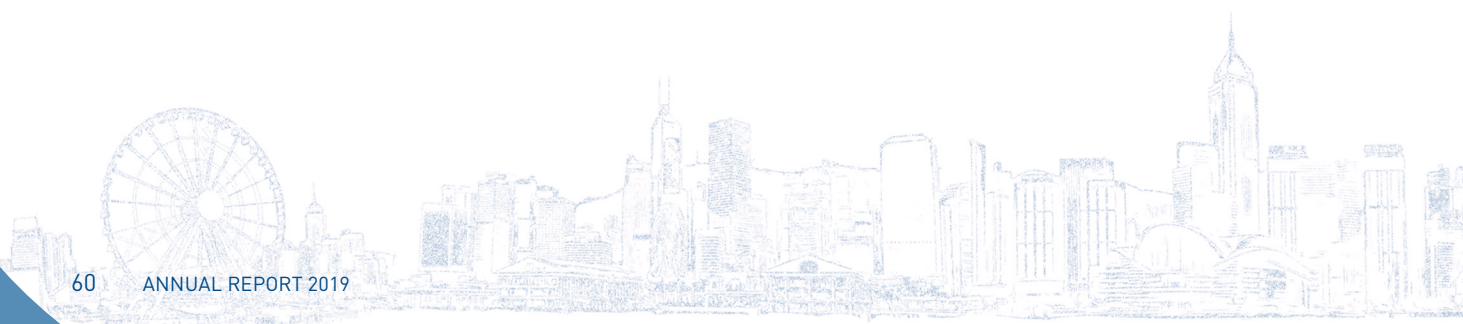
## Report of the Directors

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

	Non-IPO Financing Annual Caps			IPO Financing Annual Caps		
	2018 HK\$	2019 HK\$	2020 HK\$	2018 HK\$	2019 HK\$	2020 HK\$
Ms. Kou’s Group	15,000,000	15,000,000	15,000,000	4,000,000	4,000,000	4,000,000
Mr. Ko’s Group	2,000,000	2,000,000	2,000,000	1,000,000	1,000,000	1,000,000
Mr. Chiu’s Group	20,000	20,000	20,000	200,000	200,000	200,000

Since Ms. Kou and Mr. Chiu are the Directors of the Company, they are connected person under the definition of the GEM Listing Rules. Since Mr. Ko Yuen Kwan is an associate of Ms. Kou, he is also connected person under the definition of the GEM Listing Rules. Accordingly, the provision of the financing services to them and their relatives by Victory Securities (HK) will constitute continuing connected transactions. As some of these continuing connected transactions were entered or will be entered into with the parties connected or otherwise associated with one another, the transactions entered or will be entered into with such connected persons shall be categorized as same class of transactions and shall be aggregated into a series of connected transactions for the purpose of calculating the considerations.

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



## (1) Brokerage Service Agreements (“Brokerage Service Agreements”) and Financing Service Agreements

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

Nature of transaction	Pricing policy	(3) Date of agreement (4) Terms	Amount for the period from the Listing Date to 31 December 2019
Securities brokerage income from securities brokerage services provided to Ms. Kou’s Group, Mr. Ko’s Group and Mr. Chiu’s Group	Commission rate on normal commercial terms of 0.1% to 0.25%	(5) 14 June 2018	Ms. Kou’s Group HK\$59,112.30
		(6) 16/07/2018 to 31/12/2020 (can be terminated by either party with seven days prior written notice)	Mr. Ko’s Group HK\$27,815.13
			Mr. Chiu’s Group Nil
Interest income from financing services provided to Ms. Kou’s Group, Mr. Ko’s Group and Mr. Chiu’s Group	(1) Non-IPO financing services: 7.25% to 7.375% per annum		Ms. Kou’s Group HK\$418,904.07
	(2) IPO financing services: 2% to 2.7% per annum		Mr. Ko’s Group HK\$63,149.69
			Mr. Chiu’s Group Nil

## Report of the Directors

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

	Brokerage Annual Caps			Interest Annual Caps		
	2018	2019	2020	2018	2019	2020
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Ms. Kou’s Group	150,000	150,000	150,000	350,000	1,500,000	1,500,000
					(Note)	(Note)
Mr. Ko’s Group	300,000	300,000	300,000	100,000	100,000	100,000
Mr. Chiu’s Group	10,000	10,000	10,000	10,000	10,000	10,000

Note:

Pursuant to a meeting of the Board held on 14 October 2019, the Board has approved to increase the Interest Annual Caps for the years ending 31 December 2019 and 2020 from HK\$350,000 to HK\$1,500,000. The Board has taken into consideration: (a) the Non-IPO Financing Annual Caps (as defined in the Financing Service Agreements) and the IPO Financing Annual Caps (as defined in the Financing Service Agreements), (b) the increasing trend in the historical amount of the interest income over the past three years, in particular, the rapid increase in the interest income in 2018, and (c) the expected average interest rates for IPO financing and Non-IPO financing. The Board is of the view that the increase in the Interest Annual Caps (and thus the increase in the Dealing Annual Caps) were on normal commercial terms or better and in the ordinary and usual course of business of the Group and the increase in the Interest Annual Caps (and thus the increase in the Dealing Annual Caps) were in the interests of the Company and the shareholders of the Company as a whole.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Supplemental Deeds is less than 5% and the annual caps will be less than HK\$3,000,000, the transactions contemplated under the Supplemental Deeds are exempt from the annual review, reporting, announcement and independent shareholders’ requirements under Chapter 20 of the GEM Listing Rules.

### (2) Trademark Licence Deed

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

### (3) Asset Management Agreement

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

## Report of the Directors

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

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

The annual caps for the aggregate of performance fee and management fee will be HK\$2.0 million (the “**Asset Management Annual Caps**”) for each of the three years ending 31 December 2020. The amount paid by Victory Global Trustee for the year ended 31 December 2019 was HK\$405,136.59.

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

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

The independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2019 and confirmed that they have been entered into in the ordinary and usual course of business of the Group on normal commercial terms and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.





# Report of the Directors

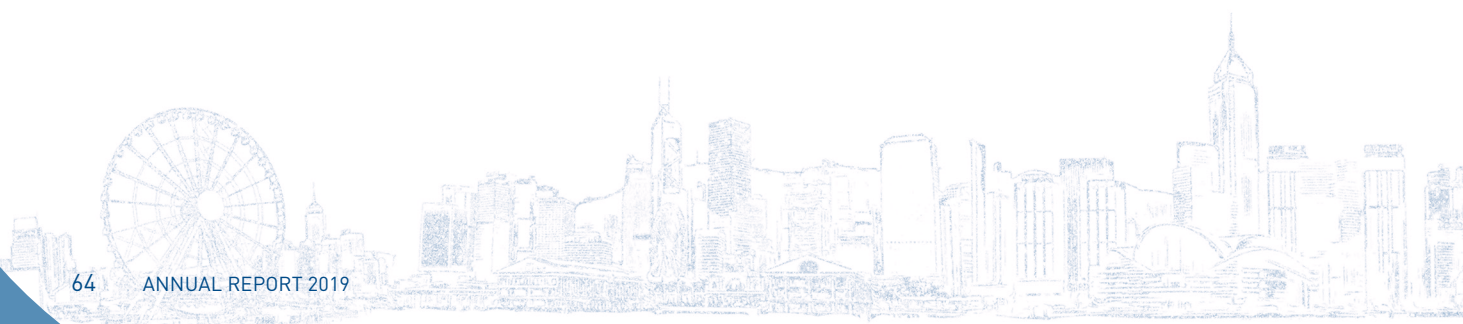
## CONNECTED TRANSACTIONS

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

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

## Compliance with Disclosure Requirements

Regarding the related party transactions as set out in note 34 to the Consolidated Financial Statements, the brokerage income, interest income and asset management fee are exempted continuing connected transactions that are exempted from the annual review requirement under Chapter 20 of the GEM Listing Rules.



## DEED OF NON-COMPETITION

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

The Company has received annual written declaration from the controlling Shareholders on their compliance with the undertakings under the Deed. Based on the declaration, the Independent Non-executive Directors of the Company considered that the controlling Shareholders had complied with the terms set out in the Deed during the year ended 31 December 2019.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## COMPLIANCE ADVISER'S INTERESTS

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

# Report of the Directors

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, save as those disclosed in this report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

The “Environmental, Social and Governance Report”, which forms part of this report, is set out on pages 41 to 49 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there has been a sufficient public float of the Shares as required under the GEM Listing Rules (i.e. at 25% of the issued shares in public hands throughout the year ended 31 December 2019 and up to the date of this report).

## DONATIONS

During the year ended 31 December 2019, the Group made charitable donations amounting to HK\$11,000.

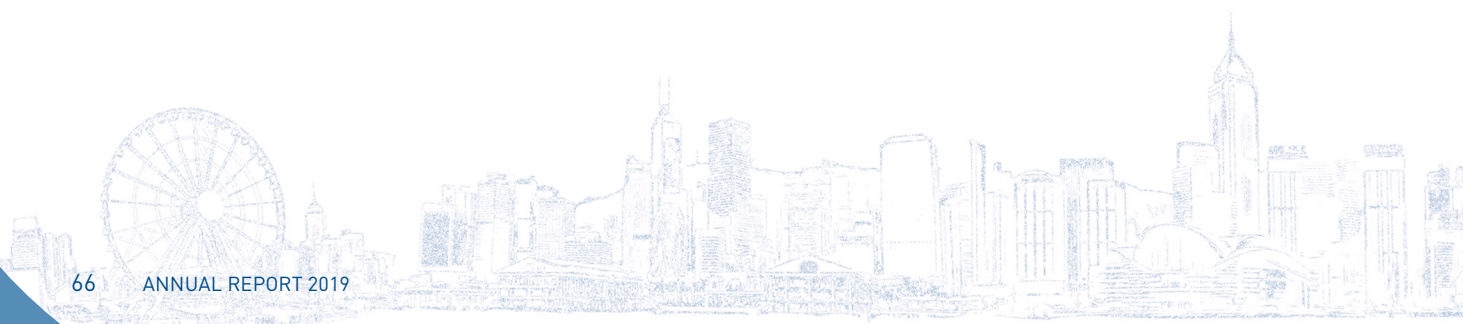
## AUDITORS

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

On behalf of the Board

**Mr. Chan Ying Kit**  
*Chairman*

Hong Kong, 19 March 2020



# INDEPENDENT AUDITOR'S REPORT



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1 Tim Mei Avenue  
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To the shareholders of **Victory Securities (Holdings) Company Limited**  
(Incorporated in the Cayman Islands with limited liability)

## Opinion

We have audited the consolidated financial statements of Victory Securities (Holdings) Company Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 72 to 157, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for opinion

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

## Key audit matters

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

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

# Independent Auditor's Report

## Key audit matter

## How our audit addressed the key audit matter

### *Provision for expected credit losses on margin client and cash client receivables included in accounts receivable*

As at 31 December 2019, the gross margin client and cash client receivables amounted to HK\$132,783,367 and HK\$31,744,320, respectively. Their related credit loss allowances amounted to HK\$193,563 and HK\$337,945, respectively.

The Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

The assessment of impairment for margin client and cash client receivables was considered as a key audit matter due to the significant and subjective management judgements and estimates, including estimation of probability of default, valuation of collateral, expected future cash flows and future economic conditions.

The related disclosures regarding the accounting policy, the judgement and estimates involved and the details of the credit loss allowances are included in notes 2.4, 3(b) and 20(f) to the consolidated financial statements.

Our procedures to address the assessment of credit loss allowances made by the Group as of 31 December 2019 included:

- We obtained an understanding of the Group's credit risk management practices, and assessed the Group's impairment provisioning policy in accordance with the requirements of HKFRS 9.
- For margin client and cash client receivables classified as stage 1 and 2, we evaluated the Group's estimation methodology of expected credit losses, tested the mathematical accuracy of the calculations and checked the parameters to external data sources where available, including the price volatility of selected underlying collateral used in the multiple scenario analyses;
- For margin client and cash client receivables classified as stage 3, in assessing the credit loss allowances made by the Group, we checked the valuation of the collateral and other sources of cash flows, and developed a reasonable range of expected cash shortfall for comparison with the Group's assessment; and
- We also evaluated the related disclosures regarding the accounting policy, the judgement and estimates involved and the details of the credit loss allowances included in notes 2.4, 3(b) and 20(f) to the consolidated financial statements against the requirements of HKFRS 7 and 9.



# Independent Auditor's Report

## Other information included in the Annual Report

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

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

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

## Responsibilities of the directors for the consolidated financial statements

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

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

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

## Auditor's responsibilities for the audit of the consolidated financial statements

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

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

## Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



# Independent Auditor's Report

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

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

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong  
19 March 2020





# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 HK\$	2018 HK\$ (restated)
REVENUE	5	62,233,524	67,225,617
Other income and gains/(losses), net	6	1,545,395	758,503
		63,778,919	67,984,120
Commission expenses		(11,011,115)	(10,607,225)
Depreciation		(2,874,802)	(2,165,508)
Staff costs	7	(20,615,471)	(15,306,144)
Other operating expenses		(16,268,354)	(28,235,365)
Charge for allowance for expected credit losses on accounts receivable, net		(179,591)	(310,667)
Share-based payment expenses		(225,433)	—
Finance costs	9	(3,227,510)	(1,925,599)
PROFIT BEFORE TAX	8	9,376,643	9,433,612
Income tax credit/(expense)	12	38,013	(2,179,836)
PROFIT FOR THE YEAR		9,414,656	7,253,776
Attributable to:			
Owners of the parent		9,414,656	7,253,776
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (in HK cents)	14	4.71	4.19



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 HK\$	2018 HK\$ (restated)
<b>PROFIT FOR THE YEAR</b>		<b>9,414,656</b>	<b>7,253,776</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
(Loss)/gain on revaluation of land and buildings held for own use:			
– gross (loss)/gain	15	(328,891)	7,789,322
– income tax effect	28	54,267	(1,285,238)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>		<b>(274,624)</b>	<b>6,504,084</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>9,140,032</b>	<b>13,757,860</b>
Attributable to:			
Owners of the parent		9,140,032	13,757,860

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK\$	2018 HK\$ (restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	54,473,345	57,090,289
Investment property	16	10,800,000	10,500,000
Intangible assets	18	611,665	600,001
Other assets	19	624,747	657,661
<b>Total non-current assets</b>		<b>66,509,757</b>	<b>68,847,951</b>
<b>CURRENT ASSETS</b>			
Accounts receivable	20	214,306,465	260,132,715
Prepayments and other receivables	21	2,588,035	3,219,316
Financial assets at fair value through profit or loss	22	9,135,767	15,504,723
Tax recoverable		43,348	70,231
Cash and cash equivalents	23	17,766,037	16,679,402
<b>Total current assets</b>		<b>243,839,652</b>	<b>295,606,387</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	24	16,299,140	66,095,411
Other payables and accruals	25	11,559,287	4,243,934
Interest-bearing bank and other borrowings	26	69,079,843	76,500,000
Tax payable		124,784	941,589
Provisions	27	170,514	2,680,430
<b>Total current liabilities</b>		<b>97,233,568</b>	<b>150,461,364</b>
<b>NET CURRENT ASSETS</b>		<b>146,606,084</b>	<b>145,145,023</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>213,115,841</b>	<b>213,992,974</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	28	7,739,462	7,782,060
<b>Total non-current liabilities</b>		<b>7,739,462</b>	<b>7,782,060</b>
<b>Net assets</b>		<b>205,376,379</b>	<b>206,210,914</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	29	1,999,998	1,999,998
Other reserves		203,376,381	204,210,916
<b>Total equity</b>		<b>205,376,379</b>	<b>206,210,914</b>

Ms. KOU Kuen  
Executive Director

Mr. CHIU Che Leung Stephen  
Executive Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Notes	Attributable to owners of the parent						Total HK\$
		Share capital (note 29) HK\$	Share premium HK\$	Property revaluation reserve HK\$	Share option reserve HK\$	Merger reserve (note 31) HK\$	Retained profits HK\$	
At 1 January 2018		193	—	30,075,058	—	100,000,000	13,387,472	143,462,723
Impact of adopting merger accounting		—	—	—	—	1,000,000	1,544,229	2,544,229
Impact of adopting HKFRS 9		—	—	—	—	—	(34,444)	(34,444)
Restated opening balance under HKFRS 9 and merger accounting		193	—	30,075,058	—	101,000,000	14,897,257	145,972,508
Profit for the year (restated)		—	—	—	—	—	7,253,776	7,253,776
Other comprehensive income for the year: Change in fair value of land and buildings, net of tax		—	—	6,504,084	—	—	—	6,504,084
Total comprehensive income for the year		—	—	6,504,084	—	—	7,253,776	13,757,860
Capitalisation issue of shares	29	1,499,805	(1,499,805)	—	—	—	—	—
Issue of ordinary shares through placing	29	500,000	62,000,000	—	—	—	—	62,500,000
Share issue expenses		—	(5,519,454)	—	—	—	—	(5,519,454)
Interim dividend	13	—	—	—	—	—	(2,000,000)	(2,000,000)
Final dividend	13	—	—	—	—	—	(500,000)	(500,000)
Special dividend	13	—	—	—	—	—	(8,000,000)	(8,000,000)
At 31 December 2018 (restated)		1,999,998	54,980,741*	36,579,142*	—	101,000,000*	11,651,033*	206,210,914
At 1 January 2019		1,999,998	54,980,741	36,579,142	—	100,000,000	10,478,581	204,038,462
Impact of adopting merger accounting		—	—	—	—	1,000,000	1,172,452	2,172,452
Restated opening balance under merger accounting		1,999,998	54,980,741	36,579,142	—	101,000,000	11,651,033	206,210,914
Profit for the year		—	—	—	—	—	9,414,656	9,414,656
Other comprehensive loss for the year: Change in fair value of land and buildings, net of tax		—	—	(274,624)	—	—	—	(274,624)
Total comprehensive (loss)/income for the year		—	—	(274,624)	—	—	9,414,656	9,140,032
Equity-settled share option arrangements	30	—	—	—	225,433	—	—	225,433
Acquisition of a subsidiary	32	—	—	—	—	(4,800,000)	—	(4,800,000)
Final dividend	13	—	—	—	—	—	(3,000,000)	(3,000,000)
Interim dividend	13	—	—	—	—	—	(2,400,000)	(2,400,000)
At 31 December 2019		1,999,998	54,980,741*	36,304,518*	225,433*	96,200,000*	15,665,689*	205,376,379

\* These reserve accounts comprise the consolidated other reserves of HK\$203,376,381 (2018: HK\$204,210,916 (restated)) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK\$	2018 HK\$ (restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		9,376,643	9,433,612
Adjustments for:			
Dividend income from listed investments	6	(276,683)	(276,206)
Interest income from convertible bond investments	6	(425,101)	—
Loss on disposal of items of property, plant and equipment	6	—	15,331
Fair value (gains)/losses on financial assets at fair value through profit or loss	6	(370,349)	295,013
Depreciation of property, plant and equipment	8	2,419,834	2,165,508
Changes in fair value of investment property	6	(300,000)	(300,000)
Depreciation of right-of-use assets	8	454,968	—
Amortisation	8	368,336	200,000
Interest expense on bank loans and overdrafts	9	3,009,173	1,847,177
Interest on lease liabilities	9	13,910	—
(Reversal of provision)/provision for loss on guaranteed contracts with customers	8	(25,856)	1,090,953
Charge for allowance for expected credit losses on accounts receivable, net	8	179,591	310,667
Equity-settled share option expense	30	225,433	—
		<b>14,649,899</b>	<b>14,782,055</b>
Increase in other assets		(422,054)	(182,661)
Decrease in accounts receivable		45,646,659	63,739,789
Decrease/(increase) in prepayments and other receivables		631,281	(309,447)
Decrease in accounts payable		(49,796,271)	(137,718,004)
Increase/(decrease) in other payables and accruals		7,315,353	(2,472,537)
Increase in other borrowings		545,933	—
Decrease in provisions		(2,484,060)	(55,661)
Cash generated from/(used in) operations		<b>16,086,740</b>	<b>(62,216,466)</b>
Interest elements of lease payments		(13,910)	—
Hong Kong profits tax paid		(740,240)	(3,998,893)
Net cash from/(used in) operating activities		<b>15,332,590</b>	<b>(66,215,359)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	15	(131,781)	(766,240)
Purchase of an intangible asset	18	(380,000)	(800,000)
Purchase of financial assets at fair value through profit or loss		(12,204,646)	(9,175,801)
Proceeds from disposal of financial assets at fair value through profit or loss		19,214,197	6,622,047
Acquisition of a subsidiary	32	(4,800,000)	—
Dividend received		6,437	650
Interest received		425,101	—
Net cash from/(used in) investing activities		<b>2,129,308</b>	<b>(4,119,344)</b>

# Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK\$	2018 HK\$ (restated)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(3,009,173)	(1,847,177)
New bank borrowings		1,284,193,741	1,168,300,000
Repayment of bank borrowings		(1,291,693,741)	(1,139,300,000)
Proceeds from issue of shares by the Company		—	62,500,000
Share issue expenses		—	(3,589,288)
Principal portion of lease payments		(466,090)	—
Dividends paid	13(a),(b)&(c)	(5,400,000)	(10,500,000)
Net cash (used in)/from financing activities		(16,375,263)	75,563,535
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		16,679,402	11,450,570
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	23	<b>17,766,037</b>	<b>16,679,402</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>			
Interest received		14,416,829	10,254,784
Interest paid	9	204,427	78,422

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

## 1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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



# Notes to Financial Statements

31 December 2019

## 1. CORPORATE AND GROUP INFORMATION (Continued)

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

Name *	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Victory Securities Holding Limited	British Virgin Islands/ Hong Kong	US\$50,000	100%	–	Investment holding
Victory Securities Company Limited	Hong Kong	HK\$145,000,000	–	100%	Securities broking and placing and underwriting services, advising on securities services, financing services and asset management services
Victory Insurance Consultants Limited	Hong Kong	HK\$1,000,000	–	100%	Provision of insurance consultancy services
Victory Premier SPC**	Cayman Islands	US\$50,000	–	100%	Inactive
Victory VC Asset Management Company Limited	Hong Kong	HK\$1,000,000	–	100%	Dormant
VS Capital Limited	Hong Kong	HK\$2,500,000	–	100%	Provision of financial advisory services
廣州市勝利私募證券投資 基金管理有限公司***	Guangzhou, People's Republic of China	RMB2,500,000	–	100%	Inactive

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

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

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



# Notes to Financial Statements

31 December 2019

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment property, land and buildings classified as property, plant and equipment, and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest dollar except when otherwise indicated.

### Acquisition of an entity under common control

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

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

The consolidated financial statements have been prepared to present the assets and liabilities of the subsidiary acquired pursuant to the Acquisition using the existing book values from the controlling shareholders’ perspective. The comparative amounts have been restated accordingly as if the financial statements of Victory Insurance had always been consolidated in the Group as detailed in note 32.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 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).

**2.1 BASIS OF PREPARATION** *(Continued)***Basis of consolidation** *(Continued)*

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

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

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

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

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

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

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>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 to HKFRSs</i>	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i>
<i>2015–2017 Cycle</i>	

# Notes to Financial Statements

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

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, which are not relevant to the preparation of the Group's 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

### **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.

### **As a lessee – Leases previously classified as operating leases**

#### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** *(Continued)***As a lessee – Leases previously classified as operating leases** *(Continued)**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 liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets in “other assets” 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:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using 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 lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK\$
Operating lease commitments as at 31 December 2018	606,400
Weighted average incremental borrowing rate as at 1 January 2019	4.73%
Discounted operating lease commitments as at 1 January 2019	545,933
<b>Lease liabilities as at 1 January 2019</b>	<b>545,933</b>

# Notes to Financial Statements

31 December 2019

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

### Adoption of HK (IFRIC)-Int 23

HK (IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

### Amendments under Annual Improvements to HKFRSs 2015–2017 Cycle

Annual Improvements to HKFRSs 2015–2017 Cycle sets out amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23. Details of the amendments are as follows:

- *HKFRS 3 Business Combinations*: Clarifies that when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value. The Group has had no joint operation and therefore, the amendments are not applicable to the Group’s financial statements.
- *HKFRS 11 Joint Arrangements*: Clarifies that when an entity that participates in (but does not have joint control of) a joint operation obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation. The Group has not participated in any joint operation and therefore, the amendments are not applicable to the Group’s financial statements.
- *HKAS 12 Income Taxes*: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any impact on the Group’s financial statements.
- *HKAS 23 Borrowing Costs*: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the Group’s financial statements.



## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Definition of a Business</i> <sup>1</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> No mandatory effective date yet determined but available for adoption

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

# Notes to Financial Statements

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Fair value measurement *(Continued)*

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### Impairment of non-financial assets

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

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

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



# Notes to Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

### Property, plant and equipment and depreciation

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



**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Property, plant and equipment and depreciation** *(Continued)*

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

Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

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

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

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

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

# Notes to Financial Statements

31 December 2019

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investment properties**

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

### **Intangible assets (other than goodwill)**

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

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

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

### **Leases (applicable from 1 January 2019)**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### ***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases (applicable from 1 January 2019) *(Continued)*

#### Group as a lessee *(Continued)*

##### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. 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.

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'.

##### (b) 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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

##### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

# Notes to Financial Statements

31 December 2019

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Leases (applicable from 1 January 2019) (Continued)*

#### *Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

#### *Leases (applicable before 1 January 2019)*

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments and other financial assets

#### *Initial recognition and measurement*

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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



# Notes to Financial Statements

31 December 2019

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Investments and other financial assets (Continued)*

#### *Subsequent measurement*

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

#### *Financial assets at amortised cost (debt instruments)*

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

#### *Financial assets at fair value through profit or loss*

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derecognition of financial assets**

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

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

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

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





# Notes to Financial Statements

31 December 2019

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of financial assets**

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

### *General approach*

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment of financial assets *(Continued)*

#### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Financial liabilities

#### *Initial recognition and measurement*

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

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

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

#### *Subsequent measurement*

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

#### *Financial liabilities at amortised cost (loans and borrowings)*

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

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

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

# Notes to Financial Statements

31 December 2019

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Offsetting of financial instruments

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

### Cash and cash equivalents

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

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

### Provisions

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

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

### Income tax

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Income tax (Continued)*

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

### **Revenue recognition**

#### *Revenue from contracts with customers*

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

# Notes to Financial Statements

31 December 2019

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Revenue recognition (Continued)*

#### *Revenue from contracts with customers (Continued)*

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

#### *Commission and brokerage income*

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

#### *Placing and underwriting commission income and handling fee income*

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

#### *Income from advising on securities, financial advisory fee and employee share option scheme income*

Revenue from advising on securities, financial advisory fee and employee share option scheme income are recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

#### *Insurance consultancy fee*

The performance obligation is satisfied at a point in time when the customer has received the service from the Group.

#### *Asset management income*

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

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

#### *Revenue from other sources and other income*

##### *Interest income*

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue recognition *(Continued)*

#### *Revenue from other sources and other income (Continued)*

#### Dividend income

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

#### Rental income

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

#### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

#### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 18 January 2019 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

# Notes to Financial Statements

31 December 2019

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payments *(Continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### Other employee benefits

#### *Pension scheme*

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

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

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

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

### Fiduciary activities

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Judgement

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

### Taxes

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



# Notes to Financial Statements

31 December 2019

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

### Estimation uncertainty

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

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

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

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

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

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

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

As at 31 December 2019, a credit loss allowance of HK\$531,508 (2018: HK\$351,917) has been made against margin client and cash client receivables. Further details are set out in note 20(f) to the financial statements. Other than the margin client and cash client receivables, no credit loss allowance has been provided for other financial assets as the related credit loss allowances were immaterial.

#### (c) *Valuation of convertible bonds*

The fair value of convertible bonds classified as financial assets at fair value through profit or loss that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. The valuation techniques used are commonly used by other market participants. Changes in assumptions on the valuation techniques could affect the reported fair values of these financial assets. Further details are set out in note 22 to the financial statements.

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

#### Estimation uncertainty *(Continued)*

##### *(d) Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

### 4. OPERATING SEGMENT INFORMATION

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

- (a) the securities broking services segment comprises the provision of broking services in securities traded in Hong Kong and overseas markets and the provision of equity and debt securities placing and underwriting services to listed clients;
- (b) the financing services segment comprises the provision of financing services to margin and cash clients;
- (c) the asset management services segment comprises the provision of fund management and wealth management services;
- (d) the insurance consultancy services segment comprises the provision of insurance consultancy services; and
- (e) the financial advisory services segment comprises the provision of financial advisory 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 as well as corporate expenses are excluded from such measurement.

# Notes to Financial Statements

31 December 2019

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2019

	Securities broking services HK\$	Financing services HK\$	Asset management services HK\$	Insurance consultancy services HK\$	Financial advisory services HK\$	Total HK\$
<b>Segment revenue (note 5)</b>						
Services to external customers	43,797,194	13,987,726	1,487,112	2,055,892	905,600	62,233,524
Intersegment services	-	-	-	294,417	-	294,417
	43,797,194	13,987,726	1,487,112	2,350,309	905,600	62,527,941
<i>Reconciliation:</i>						
Intersegment services						(294,417)
Revenue						62,233,524
<b>Segment results</b>	23,981,931	10,646,253	(140,638)	230,805	(111,178)	34,607,173
<i>Reconciliation:</i>						
Other income and gains/(losses), net						1,545,395
Corporate and other unallocated expenses						(26,775,925)
Profit before tax						9,376,643
<b>Other segment information:</b>						
Interest income from clients	-	13,987,726	-	-	-	13,987,726
Finance costs (other than interest on lease liabilities)	-	(3,213,600)	-	-	-	(3,213,600)
Commission expenses	(9,718,974)	-	-	(1,292,141)	-	(11,011,115)
Reversal of provision for loss on guaranteed contracts with customers	-	-	25,856	-	-	25,856
Charge for allowance for expected credit losses on accounts receivable, net	-	(179,591)	-	-	-	(179,591)

The depreciation and amortisation for the year ended 31 December 2019 of HK\$2,874,802 (2018: HK\$2,165,508 (restated)) and HK\$368,336 (2018: HK\$200,000), respectively, are included in the unallocated expenses.

# Notes to Financial Statements

31 December 2019

## 4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018

	Securities broking services HK\$ (restated)	Financing services HK\$	Asset management services HK\$	Insurance consultancy services HK\$ (restated)	Total HK\$ (restated)
<b>Segment revenue (note 5)</b>					
Services to external customers	54,293,240	10,038,934	574,086	2,319,357	67,225,617
Intersegment services	-	-	-	209,055	209,055
	54,293,240	10,038,934	574,086	2,528,412	67,434,672
<i>Reconciliation:</i>					
Intersegment services					(209,055)
Revenue					67,225,617
<b>Segment results</b>	32,576,630	7,802,668	(1,871,143)	717,674	39,225,829
<i>Reconciliation:</i>					
Other income and gains/(losses), net					758,503
Corporate and other unallocated expenses					(30,550,720)
Profit before tax					9,433,612
<b>Other segment information:</b>					
Interest income from clients	-	10,038,934	-	-	10,038,934
Finance costs	-	(1,925,599)	-	-	(1,925,599)
Commission expenses	(9,449,084)	-	-	(1,158,141)	(10,607,225)
Provision for loss on guaranteed contracts with customers	-	-	(1,090,953)	-	(1,090,953)
Charge for allowance for expected credit losses on accounts receivable, net	-	(310,667)	-	-	(310,667)

### Geographical information

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

# Notes to Financial Statements

31 December 2019

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

### Information about major customers

There was no customer contributing over 10% of the total revenue of the Group during the year ended 31 December 2019. During the year ended 31 December 2018, revenue from a major customer accounting for over 10% of the total revenue of the Group is as follows:

	2018 HK\$
Customer A	8,014,209

## 5. REVENUE

An analysis of revenue is as follows:

	2019 HK\$	2018 HK\$ (restated)
Revenue from contracts with customers	47,816,695	56,970,833
Revenue from other sources		
Interest income calculated using the effective interest method from:		
– clients	13,987,726	10,038,934
– authorised institutions	251,736	174,069
– others	177,367	41,781
	<b>62,233,524</b>	<b>67,225,617</b>

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



# Notes to Financial Statements

31 December 2019

## 5. REVENUE (Continued)

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

	2019 HK\$	2018 HK\$ (restated)
Commission and brokerage income	32,086,902	39,654,407
Placing and underwriting commission income	6,779,249	7,214,137
Income from advising on securities	1,096,637	–
Handling fee income	3,285,303	7,208,846
Asset management fee	1,487,112	574,086
Financial advisory fee	905,600	–
Employee share option scheme income	120,000	–
Insurance consultancy fee	2,055,892	2,319,357
<b>Total revenue from contracts with customers</b>	<b>47,816,695</b>	<b>56,970,833</b>

# Notes to Financial Statements

31 December 2019

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

	Note	2019 HK\$	2018 HK\$ (restated)
<b>Other income</b>			
Gross rental income		126,000	300,000
Sundry income		47,262	192,641
		<b>173,262</b>	<b>492,641</b>
<b>Trading gains/(losses), net</b>			
Fair value gains/(losses) on financial assets at fair value through profit or loss		370,349	(295,013)
Dividend income from financial assets at fair value through profit or loss		276,683	276,206
Interest income from financial assets at fair value through profit or loss		425,101	–
		<b>1,072,133</b>	<b>(18,807)</b>
<b>Other gains, net</b>			
Fair value gains on investment property	16	300,000	300,000
Loss on disposal of items of property, plant and equipment		–	(15,331)
		<b>300,000</b>	<b>284,669</b>
		<b>1,545,395</b>	<b>758,503</b>

## 7. STAFF COSTS

Staff costs (including directors' and chief executive's remuneration (note 10)) are as follows:

	2019 HK\$	2018 HK\$ (restated)
Salaries, allowances and benefits in kind	19,845,086	14,596,970
Contributions to MPF and Occupational Retirement Schemes	770,385	709,174
	<b>20,615,471</b>	<b>15,306,144</b>

# Notes to Financial Statements

31 December 2019

## 8. PROFIT BEFORE TAX

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

	Notes	2019 HK\$	2018 HK\$ (restated)
Auditor's remuneration		810,000	650,000
Amortisation	18	368,336	200,000
Depreciation of property, plant and equipment	15	2,419,834	2,165,508
Depreciation of right-of-use assets	17(a)	454,968	–
Direct operating expenses arising from rental-earning investment property		4,754	5,524
Exchange and clearing fee		2,585,135	6,087,164
Equity-settled share option expense	30	225,433	–
Foreign exchange loss, net		112,618	1,023,451
Charge for allowance for expected credit losses on accounts receivable, net	20	179,591	310,667
Information services expenses		3,434,424	2,779,307
Lease payments not included in the measurement of lease liabilities	17(c)	327,190	–
Listing expenses		–	6,812,158
Minimum lease payments under operating leases		–	757,107
(Reversal of provision)/provision for loss on guaranteed contracts with customers		(25,856)	1,090,953

## 9. FINANCE COSTS

	Note	2019 HK\$	2018 HK\$
Interest on bank loans and overdrafts		3,009,173	1,847,177
Interest on client payables with no fixed repayment terms		204,427	78,422
Interest on lease liabilities	17(b)	13,910	–
Total interest expense on financial liabilities not at fair value through profit or loss		3,227,510	1,925,599



# Notes to Financial Statements

31 December 2019

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2019 HK\$	2018 HK\$
Fees	842,356	584,581
<i>Other emoluments:</i>		
Salaries, allowances and benefits in kind	2,301,718	1,942,645
Contributions to retirement schemes	103,800	100,629
Commission expenses	196,287	1,613,872
	<b>3,444,161</b>	<b>4,241,727</b>

### (a) Independent non-executive directors

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

	2019 HK\$	2018 HK\$
Mr. Leung Kwong Kin	108,000	71,710
Mr. Liu Chun Ning Wilfred	160,000	71,710
Mr. Ying Wing Ho Peter	33,550	–
Dr. Yan Ka Shing (Note)	–	–
	<b>301,550</b>	<b>143,420</b>

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

# Notes to Financial Statements

31 December 2019

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

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

	Fee HK\$	Salaries, allowances and benefits in kind HK\$	Contributions to retirement schemes HK\$	Commission expenses HK\$	Total remuneration HK\$
<b>2019</b>					
<i>Executive directors:</i>					
Ms. Kou Kuen ( <i>Chief Executive Officer</i> )	120,000	971,875	85,800	169,951	1,347,626
Mr. Chiu Che Leung, Stephen	120,000	812,685	-	25,585	958,270
Mr. Chan Pui Chuen	120,000	517,158	18,000	751	655,909
Ms. Yao Yunzhu *	60,806	-	-	-	60,806
	420,806	2,301,718	103,800	196,287	3,022,611
<i>Non-executive director:</i>					
Mr. Chan Ying Kit ( <i>Chairman</i> )	120,000	-	-	-	120,000
	120,000	-	-	-	120,000
	540,806	2,301,718	103,800	196,287	3,142,611
<b>2018</b>					
<i>Executive directors:</i>					
Ms. Kou Kuen ( <i>Chief Executive Officer</i> )	120,000	792,540	82,629	1,489,243	2,484,412
Mr. Chiu Che Leung, Stephen	120,000	725,040	-	21,513	866,553
Mr. Chan Pui Chuen	55,161	425,065	18,000	103,116	601,342
Ms. Yao Yunzhu *	26,000	-	-	-	26,000
	321,161	1,942,645	100,629	1,613,872	3,978,307
<i>Non-executive director:</i>					
Mr. Chan Ying Kit ( <i>Chairman</i> )	120,000	-	-	-	120,000
	120,000	-	-	-	120,000
	441,161	1,942,645	100,629	1,613,872	4,098,307

\* Yao Yunzhu was appointed as an executive director of the Company on 26 October 2018, and resigned on 21 May 2019.

# Notes to Financial Statements

31 December 2019

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

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

During the years ended 31 December 2019 and 2018, there was no arrangement under which a director waived or agreed to waive any remuneration.

During the years ended 31 December 2019 and 2018, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2018: two directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 HK\$	2018 HK\$
Salaries, allowances and benefits in kind	2,720,346	1,887,310
Share based payment expenses	22,352	–
Contributions to retirement schemes	49,500	112,788
	<b>2,792,198</b>	<b>2,000,098</b>

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

	2019 HK\$	2018 HK\$
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	–
	<b>3</b>	<b>3</b>

During the year ended 31 December 2019, share options were granted to one of the five highest paid employees who is neither a director nor chief executive in respect of his services to the Group, further details of which are included in note 30 to the financial statements. The fair value of such options, which has been recognised in the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above disclosures.

No remuneration was paid or payable by the Group to the five highest paid employees as an inducement to join or upon joining the Group as compensation for loss of office during the years ended 31 December 2019 and 2018.

**12. INCOME TAX (CREDIT)/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 year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2018: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	Note	2019 HK\$	2018 HK\$ (restated)
Current tax:			
Charge for the year		1,033,954	2,032,402
Overprovision for profits tax in prior years		(1,083,636)	–
		(49,682)	2,032,402
Deferred tax	28	11,669	147,434
<b>Total tax (credit)/charge for the year</b>		<b>(38,013)</b>	<b>2,179,836</b>

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

	2019 HK\$	2018 HK\$ (restated)
Profit before tax	9,376,643	9,433,612
Tax at the statutory tax rate of 16.5%	1,547,146	1,556,546
Expenses not deductible for tax	1,772,416	2,558,160
Income not subject to tax	(2,112,576)	(1,769,870)
Overprovision for profits tax in prior years	(1,083,636)	–
Tax relief of 8.25% on first HK\$2 million of assessable profits	(165,000)	(165,000)
Others	3,637	–
<b>Tax (credit)/charge for the year with effective rate of -0.4% (2018: 23.1% (restated))</b>	<b>(38,013)</b>	<b>2,179,836</b>

# Notes to Financial Statements

31 December 2019

## 13. DIVIDENDS

	Notes	2019 HK\$	2018 HK\$ (restated)
Interim dividend	a	2,400,000	2,000,000
Final dividend	b	3,000,000	500,000
Special dividend	c	–	8,000,000
Dividends declared and paid		5,400,000	10,500,000
Proposed final dividend	d	3,200,000	–
		8,600,000	10,500,000

- (a) At a meeting held on 7 August 2019, the Board declared an interim dividend of HK1.20 cents (2018: HK1.00 cent) per share for the six months ended 30 June 2019, which was paid on 13 September 2019.
- (b) The final dividend for the year ended 31 December 2018 was approved in the annual general meeting of the Company held on 14 May 2019 and paid on 13 June 2019.
- (c) The special dividend in 2018 was declared and paid to the immediate holding company, Victory Securities Holding Limited.
- (d) A final dividend of HK1.60 cents per share for the year ended 31 December 2019 was recommended by the Board and subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

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

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

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

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$9,414,656 (2018: HK\$7,253,776 (restated)) and the weighted average number of ordinary shares in issue of 200,000,000 (2018: 173,150,685) during the year.

#### 14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

##### (b) Diluted earnings per share

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

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

	2019
Profit attributable to equity holders of the Company (HK\$)	9,414,656
Weighted average number of ordinary shares in issue	200,000,000
Effect of dilution — weighted average number of ordinary shares in issue:	
Share options	18,057
	200,018,057
Diluted earnings per share	4.71 HK cents

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2018. The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 December 2018 has been determined on the assumption that the reorganisation and the capitalisation issue as disclosed in note 29 had been effective on 1 January 2017.

# Notes to Financial Statements

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## 15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held for own use HK\$	Motor vehicles HK\$	Office equipment HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Leasehold improvements HK\$	Total HK\$
<b>31 December 2019</b>							
At 1 January 2019:							
Cost or valuation	55,850,000	926,000	947,314	1,408,531	915,886	1,636,552	61,684,283
Accumulated depreciation	-	(354,660)	(905,293)	(899,291)	(838,616)	(1,596,134)	(4,593,994)
Net carrying amount	55,850,000	571,340	42,021	509,240	77,270	40,418	57,090,289
At 1 January 2019, net of accumulated depreciation	55,850,000	571,340	42,021	509,240	77,270	40,418	57,090,289
Additions	-	-	4,380	121,517	5,884	-	131,781
Depreciation provided during the year	(1,971,109)	(200,668)	(16,001)	(193,159)	(26,828)	(12,069)	(2,419,834)
Loss on revaluation	(328,891)	-	-	-	-	-	(328,891)
At 31 December 2019, net of accumulated depreciation	53,550,000	370,672	30,400	437,598	56,326	28,349	54,473,345
At 31 December 2019:							
Cost or valuation	53,550,000	926,000	951,694	1,530,048	921,770	1,636,552	59,516,064
Accumulated depreciation	-	(555,328)	(921,294)	(1,092,450)	(865,444)	(1,608,203)	(5,042,719)
Net carrying amount	53,550,000	370,672	30,400	437,598	56,326	28,349	54,473,345

# Notes to Financial Statements

31 December 2019

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

	Land and buildings held for own use HK\$	Motor vehicles HK\$	Office equipment HK\$	Computer equipment HK\$ (restated)	Furniture and fixtures HK\$ (restated)	Leasehold improvements HK\$	Total HK\$ (restated)
<b>31 December 2018</b>							
At 1 January 2018:							
Cost or valuation	49,800,000	370,000	938,381	1,271,246	928,644	1,636,552	54,944,823
Accumulated depreciation	-	(215,832)	(888,617)	(696,843)	(871,068)	(1,556,897)	(4,229,257)
<b>Net carrying amount</b>	<b>49,800,000</b>	<b>154,168</b>	<b>49,764</b>	<b>574,403</b>	<b>57,576</b>	<b>79,655</b>	<b>50,715,566</b>
At 1 January 2018, net of accumulated depreciation	49,800,000	154,168	49,764	574,403	57,576	79,655	50,715,566
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)	(202,448)	(28,997)	(39,237)	(2,165,508)
Gain on revaluation	7,789,322	-	-	-	-	-	7,789,322
<b>At 31 December 2018, net of accumulated depreciation</b>	<b>55,850,000</b>	<b>571,340</b>	<b>42,021</b>	<b>509,240</b>	<b>77,270</b>	<b>40,418</b>	<b>57,090,289</b>
At 31 December 2018:							
Cost or valuation	55,850,000	926,000	947,314	1,408,531	915,886	1,636,552	61,684,283
Accumulated depreciation	-	(354,660)	(905,293)	(899,291)	(838,616)	(1,596,134)	(4,593,994)
<b>Net carrying amount</b>	<b>55,850,000</b>	<b>571,340</b>	<b>42,021</b>	<b>509,240</b>	<b>77,270</b>	<b>40,418</b>	<b>57,090,289</b>

The leasehold land and buildings of the Group are held in Hong Kong under finance leases and consisted of a carparking space and a commercial property (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\$11,448,885 as at 31 December 2019 (2018: HK\$11,865,208).



# Notes to Financial Statements

31 December 2019

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

The fair value of the carparking space with a carrying amount of HK\$2,550,000 (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 the recent sales price of comparable properties on a price per square metre basis. As at the date of the revaluation on 31 December 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.

A revaluation deficit of HK\$328,891 (2018: revaluation surplus of HK\$7,789,322) was recognised in the property revaluation reserve and in other comprehensive income for the year ended 31 December 2019.

At 31 December 2019, the Group’s land and buildings with a net carrying amount of HK\$51,000,000 (2018: HK\$53,000,000) were pledged to secure general banking facilities granted to the Group, as further detailed in note 26 to the financial statements.

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

### Fair value hierarchy

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

Fair value measurement for:	Fair value measurements categorised into			Total HK\$
	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
31 December 2019				
– Commercial – Hong Kong	–	–	51,000,000	51,000,000
– Carparking space – Hong Kong	–	2,550,000	–	2,550,000
31 December 2018				
– 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 2019 (2018: Nil).

**15. PROPERTY, PLANT AND EQUIPMENT** *(Continued)***Fair value hierarchy** *(Continued)*

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

	Commercial property HK\$
Carrying amount at 1 January 2018	47,800,000
Depreciation for the year	(1,666,158)
Gain on revaluation of land and buildings recognised in other comprehensive income	6,866,158
Carrying amount at 31 December 2018 and 1 January 2019	53,000,000
Depreciation for the year	(1,639,331)
Loss on revaluation of land and buildings recognised in other comprehensive income	(360,669)
Carrying amount at 31 December 2019	51,000,000

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 was measured using the market comparison approach with reference to the 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:

	2019 HK\$	2018 HK\$
Price per square foot (range)	19,653	20,424

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

# Notes to Financial Statements

31 December 2019

## 16. INVESTMENT PROPERTY

	2019 HK\$	2018 HK\$
Carrying amount at 1 January	10,500,000	10,200,000
Net gain from a fair value adjustment (note 6)	300,000	300,000
<b>Carrying amount at 31 December</b>	<b>10,800,000</b>	<b>10,500,000</b>

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 31 December 2019 and 2018 based on a valuation performed by C S Surveyors Limited, an independent professionally qualified valuer, at HK\$10,800,000 and HK\$10,500,000, respectively.

The investment property is leased to a third party under operating leases, further summary details of which are included in note 17 to the financial statements.

At 31 December 2019, the Group's investment property with a total carrying amount of HK\$10,800,000 (2018: HK\$10,500,000) was pledged to secure general banking facilities granted to the Group as further detailed in note 26 to the financial statements.

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

Fair value measurement for:	Fair value measurements categorised into			Total HK\$
	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
31 December 2019				
– Residential – Hong Kong	–	–	10,800,000	10,800,000
31 December 2018				
– Residential – Hong Kong	–	–	10,500,000	10,500,000

**16. INVESTMENT PROPERTY** *(Continued)***Fair value hierarchy** *(Continued)*

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

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

	Residential property HK\$
Carrying amount at 1 January 2018	10,200,000
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	300,000
Carrying amount at 31 December 2018 and 1 January 2019	10,500,000
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	300,000
Carrying amount at 31 December 2019	10,800,000

The fair value of the investment property was measured using the market comparison approach with reference to the recent sales price of comparable properties on a price per square foot basis and, hence, the investment property was 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:

	2019 HK\$	2018 HK\$
Price per square foot (range)	15,698	15,262

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

**17. LEASES****The Group as a lessee**

The Group has a lease contract for an item of office premises used in its operations. The lease for the office premises is negotiated for a term of 3 years.

# Notes to Financial Statements

31 December 2019

## 17. LEASES (Continued)

### The Group as a lessee (Continued)

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets (included under other assets) and the movements during the year are as follows:

	Office premises HK\$
As at 1 January 2019	529,715
Depreciation charge	(454,968)
As at 31 December 2019 (note 19)	74,747

#### (b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	Lease liabilities HK\$
Carrying amount at 1 January 2019	545,933
Accretion of interest recognised during the year	13,910
Payments	(480,000)
Carrying amount at 31 December 2019	79,843
Analysed into:	
Current portion (note 26)	79,843

#### (c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK\$
Interest on lease liabilities	13,910
Depreciation charge of right-of-use assets	454,968
Expense relating to short-term leases (included in other operating expenses)	327,190
As at 31 December 2019	796,068

**17. LEASES** *(Continued)***The Group as a lessor**

The Group leases its investment property (note 16) consisting of one residential property in Hong Kong under an operating lease arrangement. The term of the lease also requires the tenant to pay security deposits. Rental income recognised by the Group during the year was HK\$126,000 (2018: HK\$300,000), details of which are included in note 6 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 HK\$	2018 HK\$
Within one year	312,000	125,000
After one year but within two years	290,194	–
	<b>602,194</b>	<b>125,000</b>

**18. INTANGIBLE ASSETS**

	Notes	2019 HK\$	2018 HK\$
Trading right	a	1	1
Software	b	611,664	600,000
		<b>611,665</b>	<b>600,001</b>

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

# Notes to Financial Statements

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## 18. INTANGIBLE ASSETS (Continued)

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

	Software HK\$
<b>31 December 2019</b>	
At 1 January 2019:	
Cost	800,000
Accumulated amortisation	(200,000)
<b>Net carrying amount</b>	<b>600,000</b>
At 1 January 2019, net of accumulated amortisation	600,000
Additions	380,000
Amortisation provided during the year	(368,336)
<b>At 31 December 2019, net of accumulated amortisation</b>	<b>611,664</b>
<b>At 31 December 2019</b>	
Cost	1,180,000
Accumulated amortisation	(568,336)
<b>Net carrying amount</b>	<b>611,664</b>
<b>31 December 2018</b>	
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)
<b>At 31 December 2018, net of accumulated amortisation</b>	<b>600,000</b>
<b>At 31 December 2018</b>	
Cost	800,000
Accumulated amortisation	(200,000)
<b>Net carrying amount</b>	<b>600,000</b>

# Notes to Financial Statements

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## 19. OTHER ASSETS

	2019 HK\$	2018 HK\$
Hong Kong Securities Clearing Company Limited (“HKSCC”)		
– guarantee fund deposit	100,000	100,000
– admission fee	100,000	100,000
The Stock Exchange of Hong Kong		
– compensation fund deposit	100,000	100,000
– fidelity fund deposit	100,000	100,000
– stamp duty deposit	150,000	150,000
Long-term prepayments	–	107,661
Right-of-use assets (note 17)	74,747	–
	<b>624,747</b>	<b>657,661</b>



# Notes to Financial Statements

31 December 2019

## 20. ACCOUNTS RECEIVABLE

	Notes	2019 HK\$	2018 HK\$ (restated)
Margin client receivables	a	132,783,367	147,481,956
Cash client receivables	b	31,744,320	27,597,090
		164,527,687	175,079,046
Less: Allowance for ECL	f	(531,508)	(351,917)
		163,996,179	174,727,129
Clearing house receivables	c	4,357,758	36,065,917
Broker receivables	d	39,272,628	48,539,662
Placing commission receivables	e	5,380,762	779,840
Fee receivables	e	1,171,865	20,167
Other receivables	e	127,273	–
		50,310,286	85,405,586
<b>Total accounts receivable</b>		<b>214,306,465</b>	<b>260,132,715</b>

Notes:

**(a) Margin client receivables**

At 31 December 2019, the Group held securities (excluding bonds) with an aggregate fair value of HK\$412,690,408 (2018: HK\$351,454,304) and bonds with an aggregate fair value of HK\$16,485,626 (2018: HK\$10,823,720) as collateral 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.

**20. ACCOUNTS RECEIVABLE** (Continued)

Notes: (Continued)

**(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 houses are within two days after trade date.

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

	2019 HK\$	2018 HK\$
Cash client receivables		
Within 2 days	19,985,725	21,248,327
Past due		
– Over 2 days but less than 1 month	8,239,892	5,257,450
– Over 1 month but less than 3 months	419,631	360,797
– Over 3 months but less than 12 months	2,749,863	393,195
– Over 12 months but less than 2 years	340,837	43,745
– Over 2 years	8,372	293,576
	<b>31,744,320</b>	<b>27,597,090</b>

Management assessed the fair value of the securities maintained by the Group of each individual client who had shortfall and provision for impairment losses of HK\$136,584 was made as at 31 December 2019 (2018: HK\$22,576).

**(c) Clearing house receivables**

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

	2019 HK\$	2018 HK\$
Clearing house receivables		
Within 2 days	4,357,758	36,065,917

As at 31 December 2019, included in receivables from clearing houses was a net receivable from HKSCC of HK\$4,357,758 (2018: HK\$36,065,917), with a legally enforceable right to set off the corresponding receivable and payable balances. Details of the offsetting of these balances are set out in note 36 to the financial statements.

# Notes to Financial Statements

31 December 2019

## 20. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

### (d) Broker receivables

Broker receivables arise 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 is within one month.

### (e) Receivables from other major service lines

Placing commission receivables, fee receivables and other receivables are neither past due nor impaired. The ageing of these receivables based on the trade date is within one month.

### (f) Allowance for ECL

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

	2019			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
As at 1 January 2019	263,349	234	88,334	351,917
Transfer to stage 1	234	(234)	–	–
Transfer to stage 2	(163)	163	–	–
Transfer to stage 3	(792)	–	792	–
Change arising from transfer of stages	(156)	60,743	110,426	171,013
Other remeasurement of loss allowance	(517)	–	9,095	8,578
<b>As at 31 December 2019</b>	<b>261,955</b>	<b>60,906</b>	<b>208,647</b>	<b>531,508</b>
Arising from:				
Margin client receivables	60,594	60,906	72,063	193,563
Cash client receivables	201,361	–	136,584	337,945
	261,955	60,906	208,647	531,508
ECL rate				
Margin client receivables	0.05%	0.35%	89.55%	0.15%
Cash client receivables	0.64%	N/A	100.00%	1.06%

**20. ACCOUNTS RECEIVABLE** *(Continued)*Notes: *(Continued)***(f) Allowance for ECL** *(Continued)*

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

*Impairment under HKFRS 9 for the year ended 31 December 2019*

The following significant changes in the gross carrying amounts of margin client and cash client receivables contributed to the increase in credit loss allowance during 2019:

- Transfer of client receivables of HK\$17,650,745 from stage 1 to stage 2 and HK\$111,318 from stage 1 to stage 3, resulting in an increase in credit loss allowance of HK\$60,743 and HK\$110,426, respectively;
- Increase in cash client receivables of HK\$4,147,230, which included origination of new client receivables and new drawdown from existing clients; and
- For all stage 3 gross margin client and cash client receivables amounting to HK\$217,050, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK\$8,405.

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

# Notes to Financial Statements

31 December 2019

## 20. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

### (f) Allowance for ECL (Continued)

*Impairment under HKFRS 9 for the year ended 31 December 2018*

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

- Transfer of client receivables of HK\$3,571,134 from stage 1 to stage 2 and HK\$94,438 from stage 1 to stage 3, resulting in an increase in credit loss allowance of HK\$176 and HK\$65,274, respectively;
- Increase in margin receivables of HK\$51,256,593, which included origination of new client receivables and new drawdown from existing clients; and
- For all stage 3 gross margin client and cash client receivables amounting to HK\$94,438, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK\$6,104.

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

## 21. PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2019 HK\$	2018 HK\$ (restated)
Prepayments, other debtors and deposits		2,527,182	2,857,364
Due from a holding company	a	60,853	57,733
Due from a director	b	–	304,219
		<b>2,588,035</b>	<b>3,219,316</b>

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

Notes:

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

**21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS** *(Continued)*Notes: *(Continued)*

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

Name	31 December 2019 HK\$	Maximum amount outstanding during the year HK\$	31 December 2018 and 1 January 2019 HK\$	Maximum amount outstanding during the year HK\$	1 January 2018 HK\$
Kou Kuen	–	304,219	304,219	304,219	–
<b>Total</b>	–	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.

**22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2019 HK\$	2018 HK\$
Investments designated at fair value through profit or loss:		
Listed equity securities – Hong Kong (i)	9,135,767	10,504,723
Convertible bonds issued by a listed company in Hong Kong (ii)	–	5,000,000
	<b>9,135,767</b>	<b>15,504,723</b>

The above investments 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 were 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. All the convertible bonds were sold during the year.

As at 31 December 2019, listed equity securities with a carrying value of HK\$7,751,667 (2018: HK\$10,278,123) were pledged to secure banking facilities granted to the Group as further detailed in note 26 to the financial statements.

# Notes to Financial Statements

31 December 2019

## 23. CASH AND CASH EQUIVALENTS

	2019 HK\$	2018 HK\$ (restated)
Bank balances	17,760,113	4,210,283
Time deposit	–	12,464,070
Cash in hand	5,924	5,049
<b>Total cash and cash equivalents</b>	<b>17,766,037</b>	<b>16,679,402</b>
Denominated in:		
Hong Kong Dollars	8,919,804	13,278,549
Renminbi	3,774,387	967,577
United States Dollars	4,894,765	2,281,594
Others	177,081	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 31 December 2019, client money maintained in segregated accounts not otherwise dealt with in the financial statements amounted to HK\$245,737,500 (2018: HK\$141,085,683).

## 24. ACCOUNTS PAYABLE

	2019 HK\$	2018 HK\$ (restated)
Margin and cash client payables	3,900,585	61,555,910
Due to clearing houses	11,984,135	4,352,876
Broker payables	295,750	–
Insurer payables	118,670	186,625
<b>Total</b>	<b>16,299,140</b>	<b>66,095,411</b>

**24. ACCOUNTS PAYABLE** *(Continued)*

The settlement terms of accounts payable arising from client businesses are normally two to three days after the trade date or at specific terms agreed with a 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 2019, included in amounts payable to clearing houses was a net payable to HKSCC of HK\$11,984,135 (2018: HK\$4,352,876) with a legally enforceable right to set off the corresponding receivable and payable balances. Details of the offsetting of these balances are set out in note 36 to the financial statements.

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

**25. OTHER PAYABLES AND ACCRUALS**

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

**26. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	2019 HK\$	2018 HK\$
Lease liabilities	79,843	–
Bank loans – secured	69,000,000	76,500,000
	<b>69,079,843</b>	<b>76,500,000</b>

At 31 December 2019, bank loans were secured by clients' securities and securities held by the Group amounting to HK\$80,332,234 (2018: HK\$70,959,238), leasehold land and buildings and investment property of the Group with an aggregate carrying value amounting to HK\$61,800,000 (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 financial year end date approximate their fair values.

The effective interest rates for bank loans are floating rates ranging from 1.70% to 5.90% (2018: 4.60% to 5.10%) per annum.



# Notes to Financial Statements

31 December 2019

## 27. PROVISIONS

	Provision for loss on guaranteed contracts with customers HK\$	Other provisions HK\$	Total HK\$
At 1 January 2018	1,391,814	253,324	1,645,138
Additional/(reversal of) provision	1,090,953	(55,661)	1,035,292
At 31 December 2018 and 1 January 2019	2,482,767	197,663	2,680,430
Transfer/reversal of provision	(2,482,767)	(27,149)	(2,509,916)
At 31 December 2019	–	170,514	170,514

In prior years, the Group entered into loss protection discretionary account management agreements with 2 customers for asset management services provided. 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. All the guaranteed contracts expired in 2019.

## 28. DEFERRED TAX LIABILITIES

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

	2019			
	Accelerated tax depreciation HK\$	Revaluation of properties HK\$	Impairment of financial assets HK\$	Total HK\$
At 1 January 2019	597,337	7,228,214	(43,491)	7,782,060
Deferred tax charged/(credited) to the statement of profit or loss during the year	21,450	–	(9,781)	11,669
Deferred tax recognised in other comprehensive income	–	(54,267)	–	(54,267)
At 31 December 2019	618,787	7,173,947	(53,272)	7,739,462

**28. DEFERRED TAX LIABILITIES** *(Continued)*

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

**29. SHARE CAPITAL****Shares***Authorised shares*

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

*Issued and fully paid*

	2019 HK\$	2018 HK\$
Issued and fully paid: 200,000,000 (2018: 200,000,000) ordinary shares	1,999,998	1,999,998

# Notes to Financial Statements

31 December 2019

## 29. SHARE CAPITAL (Continued)

Shares (Continued)

Authorised shares (Continued)

Issued and fully paid (Continued)

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		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
At 31 December 2018, 1 January 2019 and 31 December 2019		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 were 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.

## 30. 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 employees of the Group. No share options were granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates. The Scheme became effective on 18 January 2019 and, unless otherwise cancelled or amended, will remain in force for 1 year from that date.

The offer of a grant of share options may be accepted within 21 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 year and ends on 17 May 2020.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

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

**30. SHARE OPTION SCHEME** *(Continued)*

The following share options were outstanding under the Scheme during the year:

Number of share options as at 1 January 2019	–
Granted during the year	1,737,000
Forfeited during the year	(325,000)
<hr/>	
Number of share options as at 31 December 2019	1,412,000

The exercise price for share options exercised during the year was HK\$1.25 per share.

The fair value of the share options granted during the year was HK\$277,321 (HK\$0.16 each), of which the Group recognised a share option expense of HK\$225,433 during the year ended 31 December 2019.

The fair value of equity-settled share options granted during the year 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:

	2019
Dividend yield (%)	0.00
Expected volatility (%)	26.80
Historical volatility (%)	26.80
Risk-free interest rate (%)	1.90
Expected life of options (year)	1.33
Weighted average share price (HK\$ per share)	1.25

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.

No share options exercised during the year.

At the end of the reporting period, the Company had 1,412,000 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 1,412,000 additional ordinary shares of the Company and additional share capital of HK\$14,120 (before issue expenses).

# Notes to Financial Statements

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## 31. RESERVES

The amounts of the Group's reserves and the movements for the years ended 31 December 2019 and 2018 are presented in the consolidated statement 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 and decreased due to the acquisition of Victory Insurance on 15 August 2019.

## 32. BUSINESS COMBINATIONS UNDER COMMON CONTROL

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

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

	As at 31 December 2019			
	Before combination HK\$	Entity under common control HK\$	Adjustment HK\$	After combination HK\$
Share capital	1,999,998	1,000,000	(1,000,000)	1,999,998
Merger reserve	100,000,000	–	(3,800,000)	96,200,000
Retained profits and other reserves	105,851,122	1,325,259	–	107,176,381
	207,851,120	2,325,259	(4,800,000)	205,376,379

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

# Notes to Financial Statements

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## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Changes in liabilities arising from financing activities

	Bank and Other loans HK\$	Lease liabilities HK\$
At 31 December 2018	76,500,000	–
Effect of adoption of HKFRS 16	–	545,933
At 1 January 2019 (restated)	76,500,000	545,933
Changes from financing cash flows	(7,500,000)	(466,090)
Interest expense	–	13,910
Interest paid classified as operating cash flows	–	(13,910)
At 31 December 2019	69,000,000	79,843

	Bank and Other loans HK\$	Lease liabilities HK\$
At 1 January 2018	47,500,000	–
Changes from financing cash flows	29,000,000	–
At 31 December 2018	76,500,000	–

### (b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 HK\$
Within operating activities	327,190
Within financing activities	480,000
	807,190

# Notes to Financial Statements

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## 34. RELATED PARTY TRANSACTIONS

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

	Notes	2019 HK\$	2018 HK\$
Close family members of Kou Kuen, Chan Ying Kit and Chan Pui Chuen:			
Brokerage income	a	6,171	4,562
Interest income	b	633	–
Interest expense	b	(70)	(61)
Key management personnel:			
Brokerage income	a	117,377	84,812
Commission expenses	a	(3,827,856)	(5,275,622)
Interest income	b	726,036	513,778
Interest expense	b	(2,907)	(420)
Related companies:			
Victory Global Trustee Company Limited			
– Brokerage income	a	485,160	350,465
– Interest income	b	94,395	185,713
– Asset management fee	c	405,137	10,000
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 asset management fee was based on terms stipulated on the agreement entered between the contracting parties.
- (d) On 29 March 2018, Victory Securities Company Limited, one of the subsidiaries, as a licensee, and Victory Corporate Solutions Company Limited, as a 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 system software at a consideration of HK\$800,000 commencing from 1 April 2018.

## 34. RELATED PARTY TRANSACTIONS *(Continued)*

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

	31 December	
	2019 HK\$	2018 HK\$ (restated)
Close family members of Kou Kuen, Chan Ying Kit and Chan Pui Chuen:		
Accounts payable	(44,402)	(48,556)
Key management personnel:		
Accounts receivable	6,206,992	8,991,543
Accounts payable	(2,189)	(11,140)
Other receivables	–	304,219
Victory Global Trustee Company Limited		
Accounts receivable	–	1,618,416
Accounts payable	(4,929,280)	–
Dr. TT Kou's Family Company Limited		
Other receivables	60,853	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, the related party balances are unsecured, interest-free and have no fixed repayment terms.



# Notes to Financial Statements

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## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

### (a) Financial instruments

The Group classified its financial assets in the following categories:

	Financial assets at amortised cost HK\$	Financial assets at fair value through profit or loss HK\$	Total HK\$
<b>31 December 2019</b>			
Financial assets included in other assets	550,000	–	550,000
Accounts receivable	214,306,465	–	214,306,465
Financial assets at fair value through profit or loss	–	9,135,767	9,135,767
Financial assets included in prepayments and other receivables	2,071,653	–	2,071,653
Cash and cash equivalents	17,766,037	–	17,766,037
<b>Total</b>	<b>234,694,155</b>	<b>9,135,767</b>	<b>243,829,922</b>

	Financial assets at amortised cost HK\$ (restated)	Financial assets at fair value through profit or loss HK\$	Total HK\$ (restated)
<b>31 December 2018</b>			
Financial assets included in other assets	550,000	–	550,000
Accounts receivable	260,132,715	–	260,132,715
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	16,679,402	–	16,679,402
<b>Total</b>	<b>279,068,150</b>	<b>15,504,723</b>	<b>294,572,873</b>

**35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS***(Continued)***(a) Financial instruments *(Continued)***

The Group classified its financial liabilities in the following categories:

	Financial liabilities at amortised cost HK\$
<b>31 December 2019</b>	
Accounts payable	16,299,140
Other payables and accruals	11,559,287
Bank borrowings	69,000,000
Lease liabilities	79,843
	<b>96,938,270</b>
<b>31 December 2018</b>	
Accounts payable	66,095,411
Other payables and accruals	4,243,934
Bank borrowings	76,500,000
	<b>146,839,345</b>



# Notes to Financial Statements

31 December 2019

## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

*(Continued)*

### (b) Financial risk factors

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

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

### (i) Market risk

#### (1) Foreign exchange risk

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

The Group is mainly exposed to currency risk arising from Renminbi ("RMB"). As at 31 December 2019, if RMB had strengthened or weakened by 50 basis points against HK\$ with all other variables held constant, the Group's profit before tax would have increased or decreased by HK\$24,000 (2018: HK\$88,000), respectively, mainly as a result of the foreign exchange impact arising from the net position of RMB denominated assets and liabilities.

#### (2) Cash flow and fair value interest rate risk

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

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

At 31 December 2019, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease profit for the year and retained profits by HK\$1,152,000 (2018: HK\$1,034,000).

## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

*(Continued)*

### (b) Financial risk factors *(Continued)*

#### (i) Market risk *(Continued)*

##### (2) Cash flow and fair value interest rate risk *(Continued)*

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

##### (3) Price risk

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

The management of the Company has utilised the effect of stock price variation on profit to manage and analyse price risk. If the equity prices of the financial assets at fair value through profit or loss had been 5% higher/lower, with all other variables held constant, the Group's profit after tax for the year would have increased/decreased approximately by HK\$457,000 for the year ended 31 December 2019 (2018: HK\$775,000).



# Notes to Financial Statements

31 December 2019

## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(Continued)

### (b) Financial risk factors (Continued)

#### (ii) Credit risk

##### Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk of margin client and cash client receivables based on the Group's credit policy, which is mainly based on the loan-to-collateral value ("LTV") and past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019. The amounts presented are carrying amounts of margin client and cash client receivables.

31 December 2019

	12-month ECLs	Lifetime ECLs			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Simplified approach HK\$	
Margin client receivables					
– LTV at 80% or above	26,098,864*	2,696,849	8,405	–	28,804,118
– LTV between 70% and 79%	10,096,892	–	–	–	10,096,892
– LTV between 60% and 69%	1,159,634	12,753,457	–	–	13,913,091
– LTV less than 60%	77,636,169	2,139,533	–	–	79,775,702
	114,991,559	17,589,839	8,405	–	132,589,803
Cash client receivables					
– Not past due	19,761,368	–	–	–	19,761,368
– Less than 30 days past due	8,189,257	–	–	–	8,189,257
– 30 days to 90 days past due	416,301	–	–	–	416,301
– More than 90 days past due	3,039,450	–	–	–	3,039,450
	31,406,376	–	–	–	31,406,376
	146,397,935	17,589,839	8,405	–	163,996,179

## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

*(Continued)*(b) Financial risk factors *(Continued)*(ii) Credit risk *(Continued)*

31 December 2018

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

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

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

# Notes to Financial Statements

31 December 2019

## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

*(Continued)*

### (b) Financial risk factors *(Continued)*

#### (ii) Credit risk *(Continued)*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for compiling the credit and risk management policies, approving credit limits and determining any debt recovery action on those delinquent receivables. In addition, the Group holds collateral, which is valued on a daily basis for marketable securities, to cover its credit risk associated with its accounts receivable from margin clients as disclosed in note 20 to the financial statements, and reviews the recoverable amount of each individual account receivable at each reporting date to ensure that adequate allowance for impairment is made for irrecoverable amounts. The credit risk on liquid funds is also limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the directors of the Company consider that the Group's credit risk is effectively controlled and significantly reduced.

#### Concentration of risks of accounts receivable with credit risk exposure

At 31 December 2019, the Group had concentration of credit risk on accounts receivable, where 27% (2018: 23%) of the total accounts receivable were due from the five largest customers (excluding brokers) and 17% (2018: 13%) of the total accounts receivable was due from a broker, which is registered with the United States Securities and Exchange Commission as a broker dealer. In the opinion of the directors, the concentration of risk of accounts receivable is manageable.

#### (iii) Liquidity risk

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

As at 31 December 2019, the Group's available unutilised bank overdrafts and revolving loan facilities aggregated to approximately HK\$125,000,000 (2018: HK\$113,500,000).



## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

*(Continued)*(b) Financial risk factors *(Continued)*(iii) Liquidity risk *(Continued)*

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

	Total carrying amount HK\$	Total contractual undiscounted cash flows HK\$	On demand or within one year HK\$	Over one year HK\$
<b>31 December 2019</b>				
Accounts payable	16,299,140	16,299,140	16,299,140	–
Other payables and accruals	11,559,287	11,559,287	11,559,287	–
Bank borrowings	69,000,000	69,080,951	69,080,951	–
Lease liabilities	79,843	79,843	79,843	–
	<b>96,938,270</b>	<b>97,019,221</b>	<b>97,019,221</b>	<b>–</b>

	Total carrying amount HK\$ (restated)	Total contractual undiscounted cash flows HK\$ (restated)	On demand or within one year HK\$ (restated)	Over one year HK\$
<b>31 December 2018</b>				
Accounts payable	66,095,411	66,095,411	66,095,411	–
Other payables and accruals	4,243,934	4,243,934	4,243,934	–
Bank borrowings	76,500,000	76,553,380	76,553,380	–
	<b>146,839,345</b>	<b>146,892,725</b>	<b>146,892,725</b>	<b>–</b>



# Notes to Financial Statements

31 December 2019

## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(Continued)

### (c) Capital management

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

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

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

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

### (d) Fair value measurement

#### (i) Financial assets and liabilities measured at fair value

##### Fair value hierarchy

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

	Fair value measurements categorised into			Total HK\$
	(Level 1) HK\$	(Level 2) HK\$	(Level 3) HK\$	
Fair value measurement for:				
31 December 2019				
– Financial assets at fair value through profit or loss	9,135,767	–	–	9,135,767
31 December 2018				
– Financial assets at fair value through profit or loss	10,504,723	–	5,000,000	15,504,723

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

*(Continued)***(d) Fair value measurement** *(Continued)**(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 borrowing approximate their fair values due to their short maturities.

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

	HK\$
Convertible bonds issued by a listed company in Hong Kong	
At 1 January 2019	5,000,000
Disposal	(5,000,000)
	<hr/>
At 31 December 2019	–
	<hr/>
	HK\$
Convertible bonds issued by a listed company in Hong Kong	
At 1 January 2018	–
Purchases	5,000,000
	<hr/>
At 31 December 2018	5,000,000
	<hr/>

# Notes to Financial Statements

31 December 2019

## 36. 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 the Guarantee Fund placed with HKSCC, they do not meet the criteria for offsetting in the financial statements and the Group does not intend to settle the balances on a net basis.

			Related amounts not offset in the statement of financial position		
	Gross amount of recognised financial assets HK\$	Gross amount of recognised financial liabilities offset in the statement of financial position HK\$	Net amount of financial assets presented in the statement of financial position HK\$	Cash collateral received HK\$	Net amount HK\$
As at 31 December 2019					
Account receivable due from a clearing house	72,238,998	(67,881,240)	4,357,758	–	4,357,758
As at 31 December 2018					
Account receivable due from a clearing house	108,800,228	(72,734,311)	36,065,917	–	36,065,917

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

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities	Related amounts not offset in the statement of financial position		Cash collateral pledged	Net amount
			Net amount of financial liabilities presented in the statement of financial position			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 31 December 2019						
Account payable due to a clearing house	79,865,375	(67,881,240)	11,984,135	–		11,984,135
As at 31 December 2018						
Account payable due to a clearing house	77,087,187	(72,734,311)	4,352,876	–		4,352,876

**37. EVENTS AFTER THE REPORTING PERIOD**

The Group has assessed the impact of Coronavirus Disease 2019 (“COVID-19”) on its financial position and operating results since the outbreak of COVID-19 in January 2020. Short-term volatility and challenges to the global stock market are noticed due to adverse market and investment sentiment. However, the degree of impact of COVID-19 on the Group’s financial results depends on the development of this subsequent event, the extent of which could not be estimated as at the date of these financial statements. The Group will closely monitor the situation and assess its impacts on the financial position and operating results.

**38. COMPARATIVE AMOUNTS**

As disclosed in note 2.1 to the financial statements, the Company’s acquisition of an entity under common control was accounted for using the merger accounting method and accordingly the comparative amounts in these consolidated financial statements have been restated as if the combination had occurred at the beginning of the accounting period as presented in these consolidated financial statements.

# Notes to Financial Statements

31 December 2019

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2019 HK\$	2018 HK\$
<b>NON-CURRENT ASSET</b>		
Investment in a subsidiary	386,175	386,175
<b>CURRENT ASSETS</b>		
Prepayments and other receivables	102,696	54,624
Due from immediate holding company	193	193
Due from subsidiaries	51,796,980	52,774,922
Bank balances	31,945	1,248
Total current assets	51,931,814	52,830,987
<b>CURRENT LIABILITIES</b>		
Other payables and accrual	7,758	–
<b>NET CURRENT ASSETS</b>	51,924,056	52,830,987
Net assets	52,310,231	53,217,162
<b>EQUITY</b>		
Share capital	1,999,998	1,999,998
Share premium	53,672,685	53,672,685
Share option reserve	225,433	–
Accumulated losses	(3,587,885)	(2,455,521)
<b>TOTAL EQUITY</b>	52,310,231	53,217,162



**40. RESERVES OF THE COMPANY**

A summary of the Company's reserves is as follows:

	Share premium HK\$	Share option reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2018	–	–	–	–
Profit and total comprehensive income for the year	–	–	7,544,479	7,544,479
Capitalisation issue	(1,499,805)	–	–	(1,499,805)
Issue of ordinary shares through placing	62,000,000	–	–	62,000,000
Share issue expenses	(6,827,510)	–	–	(6,827,510)
Interim dividend	–	–	(2,000,000)	(2,000,000)
Special dividend	–	–	(8,000,000)	(8,000,000)
At 31 December 2018 and 1 January 2019	53,672,685	–	(2,455,521)	51,217,164
Profit and total comprehensive income for the year	–	–	4,267,636	4,267,636
Equity-settled share option arrangements	–	225,433	–	225,433
Interim dividend	–	–	(2,400,000)	(2,400,000)
Final dividend	–	–	(3,000,000)	(3,000,000)
As at 31 December 2019	53,672,685	225,433	(3,587,885)	50,310,233

**41. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 19 March 2020.

## FINANCIAL SUMMARY

RESULTS	For the year ended 31 December			
	2016 HK\$	2017 HK\$	2018 HK\$ (restated)	2019 HK\$
Revenue	30,234,835	56,433,162	67,225,617	62,233,524
Profit before tax	8,862,671	21,228,647	9,433,612	9,376,643
Income tax (expense)/credit	(1,768,473)	(3,575,564)	(2,179,836)	38,013
Profit for the year	7,094,198	17,653,083	7,253,776	9,414,656

ASSETS AND LIABILITIES	As at 31 December			
	2016 HK\$	2017 HK\$	2018 HK\$ (restated)	2019 HK\$
Total assets	235,883,594	411,329,283	364,454,338	310,349,409
Total liabilities	100,169,071	267,866,560	158,243,424	104,973,030
Net assets	135,714,523	143,462,723	206,210,914	205,376,379

