

# Annual Report 2023

Victory Securities (Holdings) Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8540

HONG KONG

SINGAPORE

CHINA

JAPAN



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

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Kou Kuen (*Chief Executive Officer*)

Mr. Chiu Che Leung, Stephen

Mr. Chan Pui Chuen

### Non-executive Director

Mr. Chan Ying Kit (*Chairman*)

### Independent Non-executive Directors

Mr. Ying Wing Ho Peter

Mr. Liu Chun Ning Wilfred

Dr. Yan Ka Shing

## AUDIT COMMITTEE

Mr. Ying Wing Ho Peter (*Chairman*)

Mr. Chan Ying Kit

Dr. Yan Ka Shing

## REMUNERATION COMMITTEE

Mr. Ying Wing Ho Peter (*Chairman*)

Ms. Kou Kuen

Dr. Yan Ka Shing

## NOMINATION COMMITTEE

Dr. Yan Ka Shing (*Chairman*)

Mr. Chan Pui Chuen

Mr. Ying Wing Ho Peter

## LEGAL ADVISORS

As to Hong Kong law:

**C.L. Chow & Mackson Chan, Solicitors**

21st Floor and Room 301, Tesbury Centre,

No. 28 Queen's Road East, 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*

27/F, One Taikoo Place, 979 King's Road,

Quarry Bay, Hong Kong

*Registered Public Interest Entity Auditor*

## COMPANY SECRETARY

Mr. Kong Yan Yue

## COMPLIANCE OFFICER

Mr. Chiu Che Leung, Stephen

## AUTHORISED REPRESENTATIVES

Ms. Kou Kuen

Mr. Chiu Che Leung, Stephen

## PRINCIPAL BANKER

Bank of East Asia, Limited

Chong Hing Bank Limited

China Citic Bank International Limited

Dah Sing Bank, Limited

## REGISTERED OFFICE

Windward 3, Regatta Office Park,

PO Box 1350

Grand Cayman KY1-1108,

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

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park,

PO Box 1350

Grand Cayman KY1-1108,

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited

Suites 3301-04, 33/F.,

Two Chinachem Exchange Square,

338 King's Road, North Point,

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 2023 (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/insurance policies broking services; (ii) financing services; (iii) asset management services; (iv) corporate finance service; (v) dealing and advisory services on virtual assets; and (vi) investment consultancy services. The Company has been in business for more than 50 years, has been sharpened with all the experiences, such as every financial crisis happened in the past decades. After the Company was listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 July 2018, the Group has implemented new lines of businesses and has acquired much more market exposures and opportunities.

### REGULATION AND MARKET OVERVIEW

In respect of market performance, the Review Year was the most unpleasant year in the past decade for both the investors and the industry, when the Heng Seng Index (the “HSI”) dropped by 2,734 points as at 29 December 2023 (the last trading day of the Review Year) as compared to the HSI as at 31 December 2022. The worst in terms of HSI happened on 11 December 2023 with a year-low record of 15,972 points, which was 6,728 points down from the year-high of 22,700 points on 30 January 2023. Right after the year-high on 30 January 2023, the HSI had kept decreasing for the rest of the year. Not only the investors may have suffered losses in the Review Year, the industry as a whole including the Group also suffered from the adverse market conditions, and quite a number of securities firms in the industry chose to retreat from the market after years of operation.

The main reason for the market decline was caused by few major factors, including (i) the dramatic drop of the share price of quite a number of blue chips stocks due to the change in the operating environment and new regulations introduced to these business sectors during the Review Year; (ii) a serious liquidity problem on the Hong Kong stock market; and (iii) certain global incidents such as the war took place in Europe and middle east, as well as the continuance of the China-United States (the “US”) trade war during the Review Year, have all affected the recovery of the economic in China, extending the adverse impact to the overall Hong Kong economy.

As such, the turnover of China stock market, Hong Kong stock market and the US stock market all recorded a drop of 5.19%, 17% and 3.38% respectively, while Hong Kong stock market recorded the most significant drop.

As said above, due to the adverse market sentiment and liquidity problem, the IPO market had been stagnant for the whole of the Review Year, and that has resulted in the drop in ranking of the Stock Exchange to seventh place in terms of fund-raising amount when compared to other global financial centers in the Review Year, while Hong Kong had been ranked number fifth for year 2022. The Group also believes that the IPO market may still take time to recover, even though the Stock Exchange is trying to introduce High Tech Board under Chapter 18C of the listing rules of the Stock Exchange, and the amendments made on GEM listing requirements.

## Chairman's Statement

In regard of regulation in Hong Kong, the Group is pleased to see that all the stakeholders including the Hong Kong Government, the Hong Kong Securities and Futures Commission (the “SFC”) and the Stock Exchange, as well as all the market participants are trying every means to resume the status of Hong Kong as a global financial center, an asset management center, a risk management center, a virtual asset center, and an offshore RMB center. And all these stakeholders are trying their best to resume Hong Kong’s competitiveness in the global markets. The SFC has taken a leading role in the licensing regime globally in the virtual asset segment. The Stock Exchange has introduced quite a number of new products to the market, such as Bitcoin ETFs, RMB nominated stock counters etc..

Meanwhile, the Group has obtained its license uplift in retail trading of virtual assets (“VA”) products in recognized exchange by the SFC, the VA business segment has started to record profit since the fourth quarter of the Review Year and the Group expected that the VA business will be one of the major business segments of the Group in the near futures.

### BUSINESS REVIEW

The adverse market performance and depressing sentiment during the Review Year has resulted in a net loss for the Group. As such, the revenue decreased by approximately 28.7% from approximately HK\$77.11 million for the year ended 31 December 2022 to approximately HK\$54.97 million for the Review Year. Loss for the year ended 31 December 2023 of HK\$25.08 million was recorded, when compared to the loss of the year of approximately HK\$24.24 million for the year ended 31 December 2022, mainly due to the adverse market sentiment in the whole year (HSI down 6,728) of the Review Year which in turns affect the revenue of the Group, and also increased in certain one-off expenses such as discretionary payments to asset management clients and marketing expenses.

Despite the predicament encountered by the whole industry and the Group, the Group is able to obtain profit from the VA business since the fourth quarter of the Review Year, and one of the subsidiaries of the Group in Japan has also successfully obtained the Type II license in Fukuoka, Japan. The Group currently has business operations in different locations including Hong Kong, Qianhai, Shenzhen China, Singapore and Japan, and the Group hopes that such geographical diversification can minimize the regional operational risks, and on the other hand extend our regional reputation in order to create more business opportunities, especially the VA business.

### PROSPECTS

The Group expects that the VA business will become the major driving force for the Group’s revenue and profitability, with its newly introduced Stock plus VA trading App and Web for both retail and professional investors, the Group is the first licensed corporation in Hong Kong to introduce this new App to the market. Meanwhile, the Group will also launch a VA fund to be managed by one of the wholly owned subsidiaries of the Group, namely Victory Securities Company Limited, which will generate management fee and performance fee from this product. The Group also has confidence that the associate company of the Group, namely VDX Group Limited will be able to obtain its license to operate VA trading platform in year 2024, all of these products and services will be linked up as a full product line which is the unique features of the Group when compared to other competitors in the industry.

## Chairman's Statement

Meanwhile, except for obtaining the type II license by one of the subsidiaries of the Group in Japan as mentioned above, the SFC has also approved the uplift of the existing Type 1 and Type 4 licenses currently held by Victory Securities Company Limited, one of the direct wholly owned subsidiaries of the Company, to engage in dealing and advisory services on virtual assets to retail clients in the Review Year. These new license and approvals will enable the Group to enter into new business segments, expand the existing clients' base and create new sources of revenue.

The Group observed that the share price of the Company (stock code: 8540) has been steadily raising during the Review Year, which is an indication of market expectation and confidence to the Group.

The Group will have three core tasks to accomplish in year 2024, firstly the Group will invest substantially in IT infrastructure to achieve automation for most of the procedures in order to improve the operational efficiency; secondly, the Group will aim to continue investing in and generating profits from VA related products; thirdly the Group will re-allocate its internal resource to achieve a more effective business model, which is backed up by self-developed systems.

### APPRECIATION

The management of the Group would like to thank all its prestigious and distinguish clients and business partners who have accompanied us for the last half century.

As well, I would like to express my sincere gratitude to all my fellow directors, our management team and staff for their efforts contributing to the Group. I would like to particularly thank my colleagues who really did a hard but great job on our readiness for further development, such as license applications. 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, 14 March 2024

## FINANCIAL HIGHLIGHTS

The financial highlights of Victory Securities (Holdings) Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are as follows:

	For the year ended 31 December		Differences HK\$'000	Change (%)
	2023 HK\$'000	2022 HK\$'000		
Revenue	54,966	77,107	(22,141)	(28.7)
Commission expenses	4,688	9,330	(4,642)	(49.8)
Staff costs	31,228	32,723	(1,495)	(4.6)
Other operating expenses	28,140	18,673	9,467	50.7
Loss for the year	(25,080)	(24,244)	(836)	3.4
Basic and diluted loss per share (in HK cents)	(13.45)	(13.02)		

Revenue for the year ended 31 December 2023 was HK\$54.97 million, representing a decrease of approximately 28.7% as compared to the revenue of approximately HK\$77.11 million for the year ended 31 December 2022, reflecting the decrease in revenue mainly from securities/futures brokerage services, handling fee services and financing services, as a result of the unfavourable market atmosphere and the decrease in transactions made by clients during year 2023 when compared to the corresponding period in year 2022.

Loss for the year ended 31 December 2023 was approximately HK\$25.08 million, representing an increase of approximately 3.4% as compared to the loss of approximately HK\$24.24 million for the year ended 31 December 2022 mainly due to decrease in revenue as mentioned above and increase in certain one-off expenses such as discretionary payments to certain asset management clients and marketing expenses.

A final dividend of HK0.50 cents per share for the year ended 31 December 2023 (for the year ended 31 December 2022: HK1.20 cents) was recommended by the board of Directors (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/insurance policies broking, placing and underwriting services and advising on securities services; (ii) financing services; (iii) asset management services; (iv) financial advisory services; and (v) investment consultancy services. The core strength of the Group lies in its robust business model, with diverse businesses to withstand increasingly complex market conditions.

The Group is also engaged in the provision of (i) virtual asset dealing services under an omnibus account arrangement; (ii) virtual asset dealing services by way of introducing eligible clients to licensed virtual asset platforms for direct trading; (iii) market and distribute of virtual asset-related private funds to eligible clients; (iv) securities brokerage services to eligible clients with respect to virtual asset-related exchange traded funds (including exchange-traded virtual asset derivative funds); and (v) virtual asset advisory services with licensing conditions imposed on the license of the subsidiary.

The Group can also manage portfolios that invest in virtual assets, subject to compliance with the Hong Kong Securities and Futures Commission (the “**SFC**”) “Proforma Terms and Conditions for Licensed Corporations which Manage Portfolios that Invest in Virtual Assets”.

### Update on business development

During the year ended 31 December 2023 and up to the date of this report, the Group has certain progress in the provision of services related to virtual asset and asset management with details as follows:

(1) *Acceptance of licensing application for operation of virtual asset trading platform submitted by an associate of the Group*

In February 2023, the Securities and Futures Commission of Hong Kong has accepted the application submitted by Victory Fintech Company Limited (“**VFCL**”), an associate of the Group, for a license to carry on Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities in Hong Kong.

In view of the rapid development of virtual assets in recent years, the Board believes that, subject to the securing of requisite regulatory approvals, VFCL’s operation of a virtual asset trading platform is in line with the Group’s strategy to provide more diversified services to investors and will create opportunities for synergies amongst the various business lines of the Group, which will in turn bring in new sources of revenue to the Group.

## Management Discussion and Analysis

### (2) *Manage portfolios that invest in virtual assets and provision of virtual asset dealing and advisory services to retail clients*

In March 2023, Victory Securities Company Limited (“**Victory Securities (HK)**”), a wholly owned subsidiary of the Company, has secured consent from the SFC to manage portfolios that invest in virtual assets, subject to compliance with the SFC’s “Proforma Terms and Conditions for Licensed Corporations which Manage Portfolios that Invest in Virtual Assets”.

In November 2023, the Group has obtained consent from the SFC to further expand the services of virtual asset dealing services under an omnibus account arrangement and virtual asset advisory services (together, “**VA Dealing and Advisory Services**”) to retail clients, subject to the prescribed terms and conditions imposed by the SFC.

In view of the rapid development of virtual assets in recent years, the Board believes that the provision of asset management services in respect of virtual assets will enable the Group to provide more diversified services to its clients, The Board also believes that the provision of VA Dealing and Advisory Services to retail clients will enable the Group to expand its customers base and provide more diversified services to its clients, both of which are in line with the strategy of the Group, and will have a positive impact on the future development of the Group by creating new avenues of revenue generation as well as industry knowledge from expertise on virtual asset, as well as bringing in new sources of revenue from broaden customers’ base.

### (3) *Obtain license to operate asset management business in Japan*

In September 2023, Victory Asset Management Japan, a non-wholly owned subsidiary of the Company, became the first foreign company to be granted a Type II Financial Instruments Business License in Fukuoka from the Financial Services Agency. With the Type-II Financial Instruments Business License, Victory Asset Management Japan is able to provide a wide range of services, including intermediation and brokerage of buy and sell, solicit or privately placement of collective investment scheme equity.

Save as disclosed above, there is no further update on the business development during the year ended 31 December 2023 and up to the date of this report.

## Introduction to business sectors

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

#### *Brokerage services*

The Group has engaged in brokerage services in Hong Kong over the last five decades. Notwithstanding intensified competition from new players, the Group managed to retain customer loyalty through delivering excellent service. Income from securities broking services is primarily derived from the provision of brokerage services to clients 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. The Group also enables clients to trade securities listed on exchanges in Australia, Canada, Europe, Japan, Singapore, the United Kingdom, the United States (“**US**”) and B shares in the People’s Republic of China (“**PRC**”) by providing access to trading systems operated by external brokers licensed in their respective jurisdictions.

## Management Discussion and Analysis

The Group also commenced the provision of futures brokerage services to clients mainly on trading index futures on The Stock Exchange and the US market since year 2020.

Revenue generated from securities/futures/insurance policies broking services accounted for approximately 28.7% and 33.8% of the total revenue for the years ended 31 December 2023 and 2022, 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 are generally determined with reference to, among other matters, the type of equity or debt securities offered, fund raising size, market condition and prevailing market commission 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 a best effort basis.

Revenue generated from placing and underwriting services accounted for approximately 2.9% and 13.4% of the total revenue for the years ended 31 December 2023 and 2022, respectively. The Group provides all-rounded financial services to clients and aims 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 providing research reports or analysis on securities and investment proposals to target audiences. Revenue generated from advising on securities accounted for approximately 1.5% and 0.1% of the total revenue for the years ended 31 December 2023 and 2022, respectively.

### 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 17.2% and 9.0% of the total revenue for the years ended 31 December 2023 and 2022, respectively.

### (2) *Financing services*

The Group continued to solidify its customer base by enhancing its marketing capabilities and optimising loan service processes. Generally, the Group provides credit facilities to clients who wish to purchase securities on the Stock Exchange or make applications for initial public offering (“IPO”) on a margin basis. The Group also provides trading facilities to clients and generate interest income from cash account clients on their overdue debit balance. For the years ended 31 December 2023 and 2022, approximately 36.1% and 35.0% of the total revenue was derived from financing services, respectively.

## Management Discussion and Analysis

Such increase in the proportion to total revenue is in part due to an increasing demand from investors leveraging their investments return by financing, and also attributable to the stronger financial capability that better meets investors' financing needs. The Group aims to develop a niche in the loan market, providing corporate and retail clients with tailored liquidity solutions to meet their needs. The Group expects the revenue from this segment to provide the Group with a stable income stream and help the Group to maintain a steady stream of cash flow. On the other hand, the Group will review the limits and controls on margin loans to ensure that 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 clients 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 13.2% and 8.7% of the Group's total revenue for the years ended 31 December 2023 and 2022, respectively.

The performance of this business segment was adversely affected by the market sentiment, especially since the fourth quarter of year 2021. However, the Group is expanding its asset management services sector by setting up private funds in the PRC, Singapore and Japan. With enhanced research capabilities and experienced personnel and the revenue for this segment is expected to respond positively.

### (4) *Financial advisory services*

The Group 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, the 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 0.4% and nil of the total revenue for the years ended 31 December 2023 and 2022, respectively.

### (5) *Investment consultancy services*

Investment consultancy services aim to better cater to the needs of high net worth 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 individuals look for quality wealth management services to realise their wealth management goals and demand wealth management services with tailored professional advice and a sophisticated asset allocation system to diversify their investment risk. The experienced and professional staff from the Group 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.

# Management Discussion and Analysis

## OUTLOOK, PROSPECTS AND FUTURE PLANS

The economies of Hong Kong, PRC and the rest of the world are still facing great challenges in year 2023. Worldwide economic recovery is still in a slow pace and different investors tend to be more prudent in making investment decisions. The unfavourable investment sentiment and the volatility in the local and global financial markets have exerted pressure on the Group's operations.

Due to the uncertainties in both regional and global economies in year 2023, the capital markets in Hong Kong remains sluggish, which in turns have an adverse impact on the brokerage service income of the Group, especially those generated from the stock markets of Hong Kong. The total turnover of the Hong Kong stock market decreased from approximately HK\$30,727.19 billion for the year ended 31 December 2022 to approximately HK\$25,517.99 billion for the year ended 31 December 2023, representing a decrease of approximately 17.0%. This decrease in trading turnover has a negative impact on the revenue of the Group for the year ended 31 December 2023. Clients' investment behaviour may be affected by the overall market atmosphere and therefore the Group aims to transform into an integrated financial services provider in order to provide more variety of services to its clients and to diversify its revenue sources.

The Group continues to play an active role in participating in other financial transactions in the market in order to further develop and strengthen its market position as an integrated financial services provider. The Group has allocated adequate resources to its asset management segment to expand the scale of this segment and to attract funds from different sources, and this can be reflected by the licenses granted by respective authority in Japan to provide asset management services during year 2023. The Group is confident that the asset management segment will play a vital role in the Group's future development and growth with the asset management license in Japan, as well as the asset management license obtained in Singapore and PRC in year 2022.

The Group will also continue to explore potential opportunities in the financial advisory services segment, which much depends on the economy recovery and investment sentiment in the PRC.

The Group has also invested in virtual assets segment, which the Group believes will be more significant and important in the financial sectors following the introduction of different rules and regulations governing the operation of virtual assets by SFC or other regulatory bodies. Upon obtaining permission from the SFC to provide asset management services in respect of virtual assets as mentioned in the section "Update on business development" above, the Group became the first and only financial group in Hong Kong to obtain consent from SFC to provide trading, advisory, and asset management services related to virtual assets simultaneously. The Group believes that virtual assets are an emerging business that will provide clients with more diversified investment options and can offer vitality to the traditional Hong Kong financial market. This enables the Group to provide more diversified services to its clients, which is in line with the strategy of the Group, and will have a positive impact on the future development of the Group by creating new revenue sources as well as industry knowledge from expertise on virtual asset.

## Management Discussion and Analysis

Despite the competitive and volatile operating environment in the securities industry, the Group will continue to pursue long-term business and profitability growth in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead. The Group will continue to review and evaluate the business objectives and strategies and make timely execution by taking into account the relevant business risks and market uncertainties.

In general, Hong Kong's economic outlook in year 2024 may still be affected by certain global and domestic factors, including the recovery of Hong Kong economy after the removal of all anti-epidemic measures of COVID-19 during year 2023, and the commodity price movement. This has brought volatility and challenges to the various stock markets due to adverse market and investment sentiment, but up to the date of this report, the foregoing had not had a material adverse impact on the Group. However, the medium to long term financial and operating performance of the Group depends on the recovery of the local and global financial markets, especially the markets in Hong Kong and PRC. The Company will closely monitor the situation and assess its impact on the Group's financial position and operating results.

### FINANCIAL REVIEW

#### Revenue

The revenue of the Group's core business sectors for the years ended 31 December 2023 and 2022 are summarized as below:

	For the year ended 31 December		Differences HK\$'000	Change (%)
	2023 HK\$'000	2022 HK\$'000		
Securities/futures broking services, placing and underwriting services and advising on securities services	25,866	42,804	(16,938)	(39.6)
Financing services	19,860	27,005	(7,145)	(26.5)
Asset management services	7,460	9,389	(1,929)	(20.5)
Financial advisory services	205	–	205	N/A
Insurance brokerage services	1,776	602	1,174	195.0
Losses on derivative financial instruments	(201)	(2,693)	2,492	(92.5)
<b>Total</b>	<b>54,966</b>	<b>77,107</b>	<b>(22,141)</b>	<b>(28.7)</b>

## Management Discussion and Analysis

- (1) *Securities/futures broking services, placing and underwriting services and advising on securities services*  
Securities services comprise mainly brokerage services, placing and underwriting services and advising on securities services. The table below sets out a breakdown of the revenue from securities services during the years ended 31 December 2023 and 2022:

	For the year ended 31 December		Differences HK\$'000	Change (%)
	2023 HK\$'000	2022 HK\$'000		
Brokerage services	13,973	25,358	(11,385)	(44.9)
Placing and underwriting services	1,582	10,386	(8,804)	(84.8)
Advising on securities services	837	97	740	762.9
Others	9,474	6,963	2,511	36.0
<b>Total</b>	<b>25,866</b>	<b>42,804</b>	<b>(16,938)</b>	<b>(39.6)</b>

(a) *Securities/futures brokerage services*

For the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$13.97 million from the brokerage services, representing a decrease of approximately 44.9% as compared to the revenue of approximately HK\$25.36 million for the year ended 31 December 2022. This was mainly due to a decrease in brokerage income derived from the Hong Kong stock market as a result of the adverse market sentiment, in which the total turnover of the Hong Kong stock market decreased from approximately HK\$30,727.19 billion for the year ended 31 December 2022 to approximately HK\$25,517.99 billion for the year ended 31 December 2023, representing a decrease of approximately 17.0%.

(b) *Placing and underwriting services*

For the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$1.58 million from the placing and underwriting services, representing a decrease of approximately 84.8% as compared to the revenue of approximately HK\$10.39 million for the year ended 31 December 2022. This was mainly due to the decrease in overall corporate exercises in the market during the year ended 31 December 2023.

(c) *Advising on securities services*

For the year ended 31 December 2023, the Group recorded revenue of approximately HK\$0.84 million from advising on securities services, representing an increase of approximately 762.9% as compared to the revenue of HK\$0.10 million for the year ended 31 December 2022. Revenue from this sector was derived from providing research reports and analysis and the amount increased mainly due to the increase in engagements when compared to the year ended 31 December 2022 as a result of the fluctuation in the stock market during the current year.

## Management Discussion and Analysis

(d) **Others**

Other services mainly represented (i) handling fee income arising from the services such as IPO subscription, scrip handling services, settlement services, account servicing, corporate-action-related services and certain other miscellaneous services; (ii) interest income from deposits; and (iii) employees' share option scheme income. For the year ended 31 December 2023, the Group recorded a revenue from other services of approximately HK\$9.47 million, representing an increase of approximately 36.0% as compared to the revenue of approximately HK\$6.96 million for the year ended 31 December 2022. The increase of revenue from such other services was mainly due to an increase in interest income from authorised institutions.

(2) **Financing services**

For the year ended 31 December 2023, the Group recorded interest income of approximately HK\$19.86 million from financing services, representing a decrease of approximately 26.5% as compared to the revenue of approximately HK\$27.01 million for the year ended 31 December 2022. This was mainly due to the decrease in the overall margin loan to clients due to unfavourable market condition which investors tend to be more conservative.

(3) **Asset management services**

For the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$7.46 million from asset management services, representing a decrease of approximately 20.5% as compared to the revenue of approximately HK\$9.39 million for the year ended 31 December 2022. This was mainly due to decrease in revenue from new customers when compared to the year ended 31 December 2022. Also, due to the adverse market conditions during the year ended 31 December 2023, it resulted in losses on derivative financial instruments, in which the Group entered into loss protection discretionary account management agreements with customers for asset management services, of approximately HK\$0.20 million (2022: HK\$2.69 million).

(4) **Financial advisory services**

For the year ended 31 December 2023, the Group recorded revenue of HK\$0.21 million from the financial advisory services, representing an increase as compared to nil revenue for the year ended 31 December 2022. The Group will continue to explore potential opportunities in the financial advisory services segment, which much depends on the economy recovery and investment sentiment in the PRC after all the anti-epidemic measures on COVID-19 in PRC were released near end of year 2022.

(5) **Insurance consultancy services**

For the year ended 31 December 2023, the Group recorded revenue of approximately HK\$1.78 million from insurance consultancy services, representing an increase of approximately 195.0% as compared to the revenue of approximately HK\$0.60 million for the year ended 31 December 2022. Approximately 95% of the Group's insurance consultancy services revenue is generated from long-term insurance plans and the increase in revenue was mainly due to the increase in premium size per client.



## Management Discussion and Analysis

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

Other income and gains/(losses), net was approximately HK\$1.34 million (gains) for the year ended 31 December 2023, representing an increase of approximately 152.6% as compared to the amount of approximately HK\$2.55 million (losses) for the year ended 31 December 2022. Such reversal from loss to gain was mainly due to increase in fair value gains on financial assets at fair value through profit or loss of approximately HK\$4.11 million when compared to the year ended 31 December 2022.

### Commission expenses

The following is the breakdown on commission expenses:

	For the year ended 31 December			
	2023	2022	Differences	Change
	HK\$'000	HK\$'000	HK\$'000	(%)
Commission for brokerage services	3,441	8,929	(5,488)	(61.5)
Commission for insurance consultancy services	1,247	401	846	211.0
<b>Total</b>	<b>4,688</b>	<b>9,330</b>	<b>(4,642)</b>	<b>(49.8)</b>

Commission expenses for the year ended 31 December 2023 was approximately HK\$4.69 million, representing a decrease of approximately 49.8% as compared to the commission expenses of approximately HK\$9.33 million for the year ended 31 December 2022, which decreased in line with the decrease in revenue from securities/futures brokerage services.

### Other operating expenses

Other operating expenses mainly comprised (i) exchange and clearing fee; (ii) information services expenses; (iii) legal, consultancy and professional fee; (iv) staff welfare, marketing and entertainment expenses; and (v) insurance expenses, which accounted for approximately 48.1% (2022: 70.8%) of the total other operating expenses. Other operating expenses for the year ended 31 December 2023 was approximately HK\$28.14 million, representing an increase of approximately 50.7% as compared to the other operating expenses of approximately HK\$18.67 million for the year ended 31 December 2022, mainly due to increase in once off discretionary payment to specific asset management clients of approximately HK\$8.91 million in order to maintain relationship with these major clients with broad connections. The management considered that the discretionary payment will help to maintain the loyalty of these asset management clients who will be able to introduce more potential clients with high net-worth, which can help to sustain the long-term development and growth of the asset management services segment.

Other operating expenses also increased due to one-off marketing expenses of approximately HK\$1.44 million in relation to the 50th anniversary Gala Dinner of the Group.

# Management Discussion and Analysis

## Loss for the year

Loss for the year ended 31 December 2023 was approximately HK\$25.08 million, representing an increase of approximately 3.4% as compared to the loss of approximately HK\$24.24 million for the year ended 31 December 2022 mainly due to decrease in revenue as mentioned above and increase in certain one-off expenses such as discretionary payments to certain asset management clients and marketing expenses.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has in place a 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 an aggregate and individual loan basis.

During the year ended 31 December 2023, 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 2023, in which net cash from operating activities amounted to approximately HK\$37.91 million (for the year ended 31 December 2022: net cash from operating activities amounted to approximately HK\$108.17 million), which was due to decrease in margin and cash clients receivables as at 31 December 2023. As at 31 December 2023, aggregate of bank and cash balances of the Group amounted to approximately HK\$23.67 million (as at 31 December 2022: approximately HK\$31.42 million), which were substantially denominated in Hong Kong dollar, Renminbi and US dollar (“US\$”).

As at 31 December 2023, the Group’s current assets and current liabilities were approximately HK\$230.88 million (as at 31 December 2022: approximately HK\$290.63 million) and approximately HK\$135.18 million (as at 31 December 2022: approximately HK\$164.28 million), respectively. As at 31 December 2023, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.71 times (as at 31 December 2022: approximately 1.77 times).

As at 31 December 2023, the bank and other borrowings of the Group were approximately HK\$93.88 million (as at 31 December 2022: approximately HK\$130.23 million). The 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 for short-term bank loans. These borrowings are secured by clients’ securities and securities held by the Group, an unlisted investment, a time deposit, leasehold land and buildings and the investment property of the Group, and by corporate guarantees from the Company. The interest rate of our secured borrowings as at 31 December 2023 and 31 December 2022 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 all denominated in Hong Kong dollars (“HK\$”). The Group’s gearing ratio (measured as total bank borrowings and bonds issued over total assets) as at 31 December 2023 was approximately 31.2% (as at 31 December 2022: approximately 35.6%), decreased in the Group’s gearing ratio was mainly due to the decrease in margin financing which in turns resulted in decrease in bank and other borrowings as at 31 December 2023.

# Management Discussion and Analysis

The Group's investments are mainly financial assets at fair value through profit or loss. As at 31 December 2023, the market value of which were approximately HK\$5.89 million (as at 31 December 2022: approximately HK\$8.45 million) and are mainly equity securities listed in Hong Kong.

The capital of the Group comprises ordinary shares as at 31 December 2023 and 31 December 2022. As at 31 December 2023, total equity attributable to owners of the Company amounted to approximately HK\$163.01 million (as at 31 December 2022: approximately HK\$188.91 million).

## PLEDGE OF ASSETS

As at 31 December 2023 and 31 December 2022, bank loans secured by clients' securities and securities held by the Group amounting to approximately HK\$71.50 million and HK\$129.70 million, respectively, an unlisted investment held by the Group amounting to approximately HK\$4.22 million and HK\$4.05 million as at 31 December 2023 and 31 December 2022, respectively, a time deposit held by the Group amounting to approximately HK\$4.21 million and HK\$4.04 million as at 31 December 2023 and 31 December 2022, respectively, and leasehold land and buildings and the investment property of the Group with an aggregate carrying value amounting to approximately HK\$55.68 million and HK\$57.70 million as at 31 December 2023 and 31 December 2022, 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 Renminbi and the 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 has measures to reduce assets denominated in foreign currencies, therefore the Group expects 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 consolidated financial statements, the Group had no other commitments as at 31 December 2023 and 2022.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023 and 2022.

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

Save as disclosed in note 19 to the consolidated 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 2023.

## EVENTS AFTER THE REPORTING PERIOD

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

# Management Discussion and Analysis

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 50 full-time employees (as at 31 December 2022: 57), including all executive and non-executive directors but excluding independent non-executive directors. During the year ended 31 December 2023, the total employees' cost (including directors' emoluments and retirement benefit scheme contribution) was approximately HK\$31.23 million (for the year ended 31 December 2022: approximately HK\$32.72 million).

Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. To provide incentive to the eligible participants (including directors and employees), the remuneration package has been extended to include share options under the share option scheme. Particulars of the said share option scheme are set out in the section headed "Share Option Scheme" 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 65, was appointed as a director (“**Director**”) on 22 August 2016 and was designated as an executive Director of Victory Securities (Holdings) Company Limited (the “**Company**”) and chief executive officer on 11 September 2017. Ms. Kou is one of the controlling shareholders of the Company and a member of the remuneration committee. She is responsible for the overall management and business development and strategic planning of the Company and its subsidiaries (collectively, the “**Group**”). She is a director of various subsidiaries of the Company, including Victory Securities Holding Ltd. (“**Victory Securities (BVI)**”), Victory Securities Company Limited (“**Victory Securities (HK)**”), Victory Insurance Consultants Limited (“**Victory Insurance**”), Victory Premier SPC (“**Victory Premier**”), 深圳市勝利私募證券投資基金管理有限公司 (“**Victory Shenzhen**”), Victory Spectacular Fund SPC (“**Victory Spectacular**”), Victory Asset Management Japan Limited (“**Victory Japan**”) and Victory Privilege Fund OFC. Ms. Kou is also a director of Victory Nest Asset Management Pte. Ltd (“**Victory Singapore**”), which is an associate of the Company. 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 33 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) regulated activities under the Securities and Futures Ordinance (the “**SFO**”). Ms. Kou currently is the chairman of the Hong Kong Securities Association.

**Mr. Chiu Che Leung Stephen (“Mr. Chiu”)**, aged 74, was appointed as a Director on 22 August 2016 and was designated as an executive Director of the Company and chief operating officer on 11 September 2017. Mr. Chiu has stepped down from the position of chief operating officer since 1 January 2022, but remains as the executive Director of the Company. He is responsible for overall supervision of operations of the Group. He is a director of various subsidiaries of the Company, including Victory Securities (BVI), Victory Securities (HK), VS Capital Limited (“**VS Capital**”) and VSAM Company Limited (“**VSAM**”).

## Biographical Details of Directors and Senior Management

Mr. Chiu has over 50 years of experience in the securities industry. He was a business and office manager in Shung Lee Stock Investment Company from April 1973 to August 1984. He was the sole proprietor of Ten & Ten Securities Company from 1988 to 2005. Mr. Chiu joined Victory Securities (HK) in 2004 when it was merged with Ten & Ten Securities Company. From December 2004 to December 2005, he was the branch manager of Victory Security (HK). From January 2006 to December 2015, he was the compliance officer and deputy general manager of Victory Security (HK). From January 2016 to August 2017, he was the managing director of Victory Security (HK). Since September 2017, he has been the chief operating officer of Victory Security (HK).

Mr. Chiu completed his secondary school education in 1967. He is currently licensed by the SFC to act as a responsible officer to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

**Mr. Chan Pui Chuen (“Mr. Chan Pui Chuen”)**, aged 34, was appointed as a Director on 5 September 2017 and was designated as an executive Director of the Company 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 responsible for overseeing compliance, internal control and risk management of the Group. He is a director of various subsidiaries of the Company, including Victory Securities (BVI), Victory Insurance, Victory Premier, Victory Shenzhen and Victory Japan. Mr. Chan is also a director of Victory Singapore and Victory Fintech Company Limited, which is also an associate of the Company. 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. On 6 April 2020, he was approved by the SFC to be the responsible officer of Victory Securities (HK) and was promoted as deputy chief operating officer from the same date.

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 responsible officer of Type 1 (dealing in securities) and a licensed representative to carry out Type 9 (asset management) regulated activities under the SFO.

### NON-EXECUTIVE DIRECTOR

**Mr. Chan Ying Kit (“Mr. Chan”)**, aged 68, was appointed as a Director on 22 August 2016 and was designated as the chairman of the board of Directors of the Company (the “**Board**”) and a non-executive Director of the Company 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 VSAM. Mr. Chan is the spouse of Ms. Kou (Executive Director and Chief Executive Officer of the Company) and the father of Mr. Chan Pui Chuen (Executive Director of the Company).

## Biographical Details of Directors and Senior Management

Mr. Chan has over 45 years of experience in the construction and engineering industry. From May 1978 to August 1980, he worked in Hsin Chong Construction Company Limited as a laboratory assistant. From December 1980 to February 1983, he worked in Wah Hin Company Limited as a site supervisor. From March 1983 to February 1985, he worked in Maunsell Consultants Asia as a senior supervisor. From February 1985 to March 1988, he worked in Nishimatsu Construction Company Limited as an inspector of works. From April 1988 to April 1993, he worked in Hong Kong Electric Company Limited as an engineer. From April 1994 to August 2006, he worked in i-CABLE Network Limited as a project manager and department head of special projects department. Since May 2007, he has worked in Ecobuild Engineering and Technology Company Limited as a director.

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ying Wing Ho Peter (“Mr. Ying”)**, aged 38, was appointed as an independent non-executive Director of the Company on 14 October 2019. Mr. Ying is the chairman of the audit committee and the remuneration committee, as well as a member of the nomination committee of the Company. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Ying has over 16 years of experiences in the accounting, internal audit and corporate finance field. He joined ALiA BioTech Group, a group of companies engaged in production and trading of medical devices in December 2020 as chief financial officer, and is responsible in accounting, corporate governance and corporate finance. Prior to that, he is a senior internal auditor in Allianz Asset Management GmbH (“Allianz”) from October 2016 to July 2020 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, Mr. Ying worked in an international audit firm as a manager in financial services assurance.

Mr. Ying 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 and the Chartered Institute of Management Accountants.

**Mr. Liu Chun Ning Wilfred (“Mr. Liu”)**, aged 62, was appointed as an independent non-executive Director of the Company on 14 June 2018. He is primarily responsible for supervising and providing independent advice to the Board.

## Biographical Details of Directors and Senior Management

Mr. Liu has over 36 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 (the “**Stock Exchange**”) as a planning and development officer and then as a compliance supervisor. From July 1991 to October 1992, he worked in IBJ Asia Limited as a bond trader. From December 1993 to May 1998, he worked in Chong Hing Bank Limited as manager of the securities department and then as a senior manager of the securities department. From May 1998 to February 2014, he worked as an executive director of Chong Hing Bank Limited and was in charge of the securities business division.

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

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

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 38, was appointed as an independent non-executive Director of the Company 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 extensive experience in the medical industry and has served in various hospitals managed by the Hospital Authority (the “**HA**”) in Hong Kong since July 2011. He is a registered doctor and a Specialist in Endocrinology, Diabetes & Metabolism in Hong Kong, and currently holds a position of Associate Consultant in the HA.

Dr. Yan obtained his Bachelor of Medicine and Bachelor of Surgery (MBBS) degree from the University of Hong Kong in November 2011, 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, and the Postgraduate Diploma in Infectious Diseases from the University of Hong Kong (PDipID (HK)) in October 2019. He was admitted as a member of the Hong Kong College of Physicians in January 2017, then became Fellow and Specialist in Endocrinology, Diabetes and Metabolism, and has held fellowships from the Hong Kong College of Physicians and the Hong Kong Academy of Medicine (Medicine), since September 2020 and December 2020, respectively. Also, he has been a member of the Hong Kong Medical Association since July 2011.



## Biographical Details of Directors and Senior Management

Dr. Yan was appointed and has been an independent non-executive director of China United Venture Investment Limited (formerly known as Glory Mark Hi-Tech (Holdings) Limited “CUVI”, stock code: 8159) and Comtec Solar Systems Group Limited (“Comtec Solar”, stock code: 712) since 5 December 2019 and 1 July 2021, respectively, where he is primarily responsible for providing independent advice to the Board.

Dr. Yan is currently the chairman of audit committee and remuneration committee, a member of strategy and development committee, executive committee and nomination committee of CUVI, and a member of audit committee, remuneration committee and nomination committee of Comtec Solar.

### SENIOR MANAGEMENT

The executive Directors, Ms. Kou, Mr. Chiu and Mr. Chan Pui Chuen are also members of the senior management. Please refer to their biographies set out above.

### CHIEF OPERATING OFFICER

**Mr. Lee Yiu Wing (“Mr. Lee”)**, aged 64, joined the Group in October 2021 and was appointed as the chief operating officer. He is also the responsible officer for type 1 and type 4 regulated activities. Mr. Lee has over 35 years of experience working in the financial services industry. Prior to joining the Group, he was the executive director and sales director for two securities companies which are subsidiaries of banks respectively. He was also appointed as the deputy chief executive and joint managing director of a financial services group which is listed in the Stock Exchange. Mr. Lee holds a degree in economics and management from the University of Guelph in Canada. He is currently a permanent honorary president of the Hong Kong Securities Association and he was the chairman of the Association from 2009 to 2011. He is a member of the Hong Kong Institute of Director and the Hong Kong Securities and Investment Institute.

### CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

**Mr. Kong Yan Yue (“Mr. Kong”)**, aged 42, joined the Group in December 2018 and was appointed as the chief financial officer of the Group since 18 March 2019. Mr. Kong has over 20 years of experience in auditing, accounting, corporate governance and corporate finance. Prior to joining the Group, he served key managerial roles in the finance department in several companies listed in the Stock Exchange. Prior to that, he worked in the audit and assurance department of an international audit firm. 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 of directors (the “**Directors**”) of Victory Securities (Holdings) Company Limited (the “**Company**”) (the “**Board**”) is pleased to present this corporate governance report for the year ended 31 December 2023. 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**”) of the Company 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 C1 of the GEM Listing Rules. For the year ended 31 December 2023, 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 2023.

## 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. Chan Pui Chuen  
Mr. Chiu Che Leung, Stephen

#### *Non-Executive Director*

Mr. Chan Ying Kit (*Chairman*)

#### *Independent Non-Executive Directors*

Dr. Yan Ka Shing  
Mr. Liu Chun Ning Wilfred  
Mr. Ying Wing Ho Peter

The biographical details of each of the Directors 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 2023, the Company has held 5 regular Board meetings. The meetings were conducted on a live/tele-conference basis and the attendance of Directors is as follows:

Name	Board meetings attended/eligible to attend
<b>Executive Directors</b>	
Ms. Kou Kuen ( <i>Chief Executive Officer</i> )	5/5
Mr. Chan Pui Chuen	5/5
Mr. Chiu Che Leung, Stephen	5/5
<b>Non-Executive Director</b>	
Mr. Chan Ying Kit ( <i>Chairman</i> )	5/5
<b>Independent Non-Executive Directors</b>	
Dr. Yan Ka Shing	5/5
Mr. Liu Chun Ning Wilfred	5/5
Mr. Ying Wing Ho Peter	5/5

## 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 the audit committee, the remuneration committee and the nomination committee, and delegated responsibilities to various management committees. Details of those committees are set out in this corporate governance report.

## Independent non-executive Directors

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

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

# Corporate Governance Report

## Non-executive Directors

CG Code provision B.2.2 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 issues 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 (the "Chairman") 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 customised 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 2023, 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:

<b>Name</b>	<b>Reading materials<sup>(1)</sup></b>	<b>Attending seminars/ conferences<sup>(2)</sup></b>
<b>Executive Directors</b>		
Ms. Kou Kuen		✓
Mr. Chan Pui Chuen		✓
Mr. Chiu Che Leung, Stephen		✓
<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 function.

(2) seminars/conferences 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 C.2.1 of the CG Code, the roles of the 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; and
- 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 audit committee), Dr. Yan Ka Shing and Mr. Chan Ying Kit with written terms of reference in accordance with code provision D.3.3 and D.3.7 of CG Code.

For the year ended 31 December 2023, 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 2023 and 30 September 2023 respectively, the interim report for the six months ended 30 June 2023 and the audited annual report for the year ended 31 December 2022 during the year ended 31 December 2023.

The members and attendance of the audit committee for the year ended 31 December 2023 are as follows:

<b>Name</b>	<b>No. of meetings of the audit committee attended/eligible to attend</b>
Mr. Ying Wing Ho Peter ( <i>Chairman</i> )	4/4
Dr. Yan Ka Shing	4/4
Mr. Chan Ying Kit	4/4

# Corporate Governance Report

## Remuneration Committee

The remuneration committee has been established with written terms of reference in compliance with code provision E.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; and
- 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 remuneration committee), Dr. Yan Ka Shing and Ms. Kou Kuen.

For the year ended 31 December 2023, the remuneration committee held 1 meeting by means of live/teleconference. The members and attendance of the remuneration committee for the year ended 31 December 2023 are as follows:

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

# Corporate Governance Report

A summary of the work performed by the remuneration committee for the year ended 31 December 2023 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. reviewed and made recommendation to the Board on the granting of share options and share awards to executive Directors and employees.

## Nomination Committee

The nomination committee has been established with written terms of reference in compliance with code provision B.3.1 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; and
- 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 nomination committee), Mr. Ying Wing Ho Peter and Mr. Chan Pui Chuen.

For the year ended 31 December 2023, the nomination committee held 1 meeting by means of live/teleconference to review the structure, size and composition of the Board. The members and attendance of the nomination committee for the year ended 31 December 2023 are as follows:

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



# Corporate Governance Report

## BOARD DIVERSITY POLICY

The Company recognises 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 measurable factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialisation, experience, skills, knowledge and other qualifications. Appointment of Directors is solely based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board. The Board sets measurable objectives to implement the Board Diversity Policy and reviews such objectives from time to time.

### Measurable objectives

Where vacancies exist on 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 takes 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 emphasised by the Company and Board appointments will continue to be made on a merit basis.

### Gender diversity

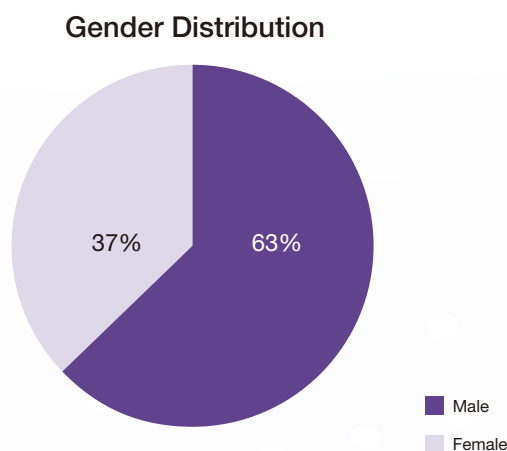
#### *Board composition*

The Board believes that gender diversity is a manifestation of board diversity, among all other measurable objectives. For the year ended 31 December 2023, the Board comprises one female director and six male directors. The Company will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole.

Under the revised Rule 17.104 of the GEM Listing Rules that came into effect on 1 January 2022, a single gender Board will not be considered by the Stock Exchange to have achieved board diversity. The Company has complied with this new requirement during the year ended 31 December 2023.

# Corporate Governance Report

The Group recognises the importance of diversity and has a diverse workforce in terms of gender, providing a variety of ideas and levels of competency that contribute to the Group's success. In the hiring process, the Company takes into account a number of measurable factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialisation, experience, skills, knowledge and other qualifications. Appointment of candidates is solely based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Group. Analysis of workforce of the Group is set out below:



Overall, the Board considers the recruitment strategy adopted by the Group is effective and adequate.

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

## EMOLUMENTS TO DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Code Provision E.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 2023 by band are as follows:

<u>Remuneration band</u>	<u>Number of individuals</u>
Nil to HK\$1,000,000	6
HK\$1,000,001 to HK\$1,500,000	2
HK\$1,500,001 to HK\$2,500,000	1

# Corporate Governance Report

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for reviewing the Company's compliance with the CG 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 CG Code for the year ended 31 December 2023.

## 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 2023 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 unauthorised 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 the Group 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;
- optimising the governance structure and authorization hierarchy;
- guiding and defining the limits for specific risk management work; and
- authorising responsibilities to other departments.

# Corporate Governance Report

Based on the risk assessments conducted in the year 2023, the details of significant risks and the relevant risk responses are highlighted as follow:

Risk categories	Risk title	Risk description	Risk response
Strategic, financial and reporting	Clients' default in overdue balance with a concentrated stock position of Victory Securities Company Limited ("Victory Securities (HK)")	The Group continued to solidify its customer base by enhancing its marketing capabilities and optimising loan service processes. Due to the keen demand for financing from clients and the Group has been able to cater to the demand from clients with a stronger financing capacity, the business of financing services has been expanding substantially. However, default risks arise associated with margin clients mainly related to single stock concentration.	<p>If the borrowing amount from margin clients meets the threshold, the RMC will hold a meeting to discuss the issue on a case-by-case basis. The RMC will go through know your clients ("KYC") procedures. Afterwards, the RMC will decide whether:</p> <ol style="list-style-type: none"><li>1. reject the application;</li><li>2. issue a counteroffer such as (a) reduce the loan-to-value ratio; (b) request additional mortgages such as personal guarantee or other stock deposits; or</li><li>3. accept the application.</li></ol>

# Corporate Governance Report

Risk categories	Risk title	Risk description	Risk response
Strategic	Instability and extreme volatility of the cryptocurrency markets	In view of the rapid development of virtual assets in recent years, the Group believes that the provision of virtual asset-related platforms and services will bring a new source of revenue to the Group. However, investors' hesitation and lack of confidence in this market may affect the potential profitability generated from this industry.	<p>The Group believes that virtual assets will be the main trend in long run, especially if these activities are regulated by the authority. Therefore, following the issuance of "Joint circular on intermediaries' virtual asset-related activities" by the Securities and Futures Commission of Hong Kong (the "SFC") and the Hong Kong Monetary Authority on 28 January 2022, the Group believes that by:</p> <ol style="list-style-type: none"> <li>1. organising promoting activities such as seminars to promote its virtual assets related services and products; and</li> <li>2. establishing a tailor-made comprehensive trading platform, which is in accordance with the guideline imposed by the SFC and the Hong Kong Monetary Authority, to give confidence and build trust to its clients.</li> </ol> <p>It will have a positive impact on the future development of the Group by bringing in new sources of revenue as well as industry knowledge from expertise on virtual assets.</p>

# Corporate Governance Report

Risk categories	Risk title	Risk description	Risk response
Operational, financial and reporting and compliance	Investments in the virtual asset trading platform and virtual asset related services	The Group would like to provide a virtual asset trading platform and virtual asset-related services to capture the market share in the cryptocurrency market. However, the Group may not have enough crypto-skilled staff and experience in this new industry.	<p>The Group implements the following policies to reduce the operational, financial and reporting and compliance risks caused by its staff:</p> <ol style="list-style-type: none"> <li>1. increases the learning and development opportunities by organising monthly training programs and on-the-job training scheme;</li> <li>2. conducts a skills gap analysis to identify skill gaps, and regularly reviews and monitors the Group's succession planning; and</li> <li>3. effective recruitment controls have also been implemented to employ capable employees who possess relevant professional qualifications in the cryptocurrency industry to tackle financing, compliance and reporting issues.</li> </ol>
Financial and reporting	Inconsistency in accounting software and standards	As the Group is rapidly expanding, different companies use different accounting software to generate financial reports. Also, companies are required to adopt different accounting standards and taxation systems in their respective countries. The Group faces the above challenges, which contribute to misstatements in its financial statements.	<p>The Group is developing a tailor-made accounting system to supersede the existing software. It can avoid the multi-usage of different accounting software.</p> <p>Effective recruitment controls have also been implemented to employ a capable employee who possesses relevant professional qualifications in the respective region to tackle accounting, taxation and reporting issues.</p>

# 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.

The Group has engaged an external professional consultant to conduct independent internal control review for the year ended 31 December 2023. The review covered parts of the internal control system including financial, operational, compliance control and risk management functions. Such review will be conducted regularly throughout the year. The Directors will oversee and monitor the Group's overall financial position so that the interests of the shareholders are well protected and covered. The Board assessed the effectiveness of internal control by considering the reviews performed by the consultant.

## 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 Company has its own policy on handling and disseminating 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

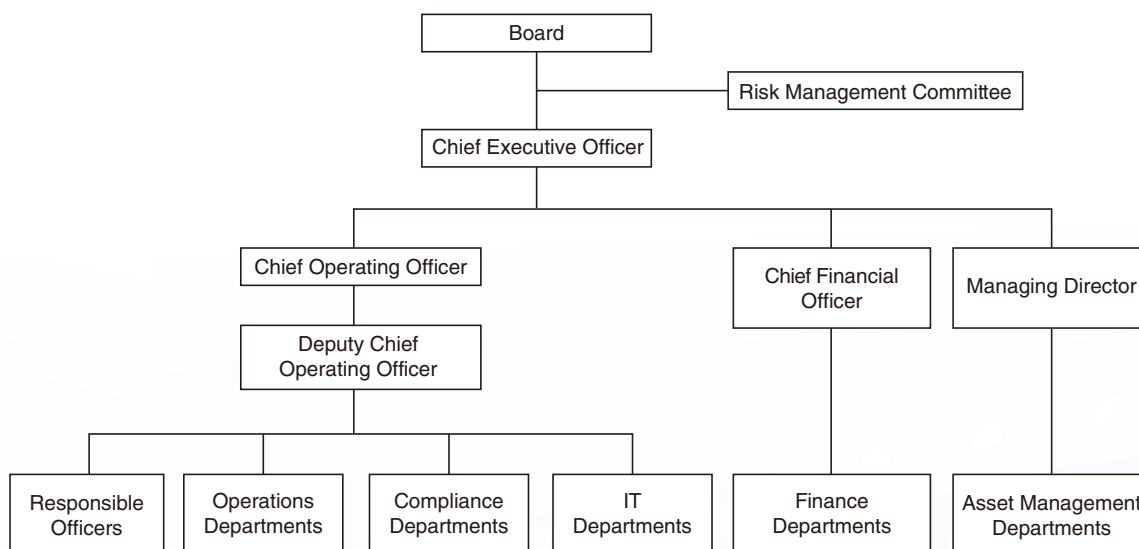
Risk taking is a necessary and accepted part of the Company's business. The Board has taken sufficient steps to identify, assess, update and monitor the risks associated with its financial, operational and compliance activities. The Group's principal businesses are exposed to two major types of business 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. The risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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.

# Corporate Governance Report

## 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; and
- to ensure all risks associated with the Group's 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), while other members include Mr. Zhou Lele (managing director), Mr. Lee Yiu Wing (chief operating officer), Mr. Kong Yan Yue (chief financial officer), Mr. Yeung Tak Kuen Andy (director of operation – front office) and Mr. Chan Chi On, Andrew (IT director).

## 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 SFC. They work closely with the compliance department and take appropriate remedial actions to rectify any irregularity.



# Corporate Governance Report

## 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.

## Legal and compliance department

The compliance function of a legal and 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 legal and compliance department provides legal support to the Group's business functions. On regulatory compliance, the legal and 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

The 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

The finance department is responsible for monitoring the Group's compliance with the financial resources return (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.

# Corporate Governance Report

## AUDITOR'S STATEMENT AND REMUNERATION

A statement by the Group's auditor on their reporting obligations in respect of the Group's financial statements for the year ended 31 December 2023 is set out in the "Independent Auditor's Report" section of this annual report.

For the year ended 31 December 2023, 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:

	2023 HK\$	2022 HK\$
<b>Audit services</b>		
– Annual audit	1,100,000	830,000
<b>Non-audit services</b>		
– Review and taxation	50,000	48,500
	<b>1,150,000</b>	<b>878,500</b>

## COMPANY SECRETARY

Mr. Kong Yan Yue ("Mr. Kong") was appointed by the Board as the company secretary. He is the chief financial officer of the Company and the Group 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 2023, he 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 second 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.

# Corporate Governance Report

## 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](mailto: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, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

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 [complain@victorysec.com.hk](mailto:complain@victorysec.com.hk), by facsimile (fax no: +852 2810 7616) or by telephone (telephone no: +852 3426 9376). 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 Board has periodically reviewed the key risk areas and appropriate risk mitigation strategies.

# Corporate Governance Report

Overall, the Company considers the shareholders' communication policy of the Group to be effective and adequate. The Company will continue to review the implementation and effectiveness of the shareholders' communication policy by shareholders' feedback from the above channel.

The procedures to elect directors were uploaded to the Company's website ([https://www.victorysec.com.hk/zh-hk/investor\\_relations/director\\_election](https://www.victorysec.com.hk/zh-hk/investor_relations/director_election)).

## 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. The memorandum and articles of association of the Company has been amended and restated as adopted by the AGM passed on 25 May 2023 and effective on 25 May 2023 (the "Approval Date") in order to (i) conform to the Core Standards set out in Appendix 3 of the GEM Listing Rules; (ii) allowing the Company to hold hybrid and electronic meetings; and (iii) reflecting certain updates in relation to the applicable laws of the Cayman Islands and the GEM Listing Rules and make other housekeeping amendments. There had been no change to the Company's memorandum and articles of association since the Approval Date to the date of this annual report.

## DIVIDEND POLICY

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OVERVIEW

Victory Securities (Holdings) Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are pleased to present this Environmental, Social and Governance Report (“**ESG Report**”). This report discloses and outlines the significant environmental, social and governance (“**ESG**”) policies and performance of the Group for the year ended 31 December 2023.

The Board of Directors (the “**Board**”) of the Group is responsible for formulating the Group’s overall ESG strategy, preparing reports, and implementing related management policies. By overseeing and reviewing the Group’s analysis of sustainable development objectives, risks and opportunities, operational performance, and overall development strategy, the Board will develop action plans and allocate resources to help the Group achieve its policies and goals. The Board also assumes responsibility for managing and improving sustainable development performance.

## SCOPE AND REPORTING PERIOD

The report was prepared in accordance with the requirements of the ESG Reporting Guide outlined in Appendix C2 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited.

The report covered significant ESG-related issues related to the Group’s main businesses, including providing securities/futures/insurance policies broking services, placing and underwriting services, advising on securities services, financing services, asset management services, financial advisory services, and investment consultancy services. These operations are primarily based in Hong Kong, with some presence in mainland China, Japan, and Singapore. The reporting period covered is from 1 January 2023 to 31 December 2023.

While the Group has offices in Hong Kong, the People’s Republic of China (“**PRC**”), Japan, and Singapore, the focus of the ESG Report is on the Group’s main operations at its headquarters in Hong Kong. Operations in PRC, Japan, and Singapore had no significant environmental and social impacts and were therefore not included in the report.

## REPORTING PRINCIPLES

To reflect the ESG strategies and performance of the Group impartially, we adhere to the following reporting principles:

### Materiality

Stakeholders’ opinions have always been crucial in the Group’s operational decision-making and strategic planning. To ensure a comprehensive understanding of their concerns and opinions, we collect stakeholder feedback through various communication channels. These include annual general meetings, staff meetings, stakeholder surveys, and daily email and phone communication with both internal and external stakeholders. All ESG issues classified as material by stakeholders will be appropriately addressed in the ESG report, giving their opinions the attention they deserve. The Board and management closely monitor these issues and regularly review them to effectively address any business risks associated with environmental, social, and governance matters.

# Environmental, Social and Governance Report

## Quantitative

To better represent our group's performance, this report discloses the significant environmental and social key performance indicators ("KPIs") of our Hong Kong headquarters operations. We have also referred to international standard requirements to ensure that our group can consistently review, assess, and validate the effectiveness of our environmental, social, and governance initiatives and measures. Quantitative data will be accompanied by explanations and clarifications of their purposes, where applicable.

## Consistency

This report aims to comply with the environmental, social, and governance reporting guidelines outlined in Appendix C2 of the Listing Rules of the Hong Kong Stock Exchange's GEM. It has made efforts to use consistent evaluation and calculation methods as in previous years to ensure that the disclosed data is comparable and can serve as a basis for ongoing monitoring.

## SUSTAINABILITY STRATEGY

The Group demonstrates a strong commitment to sustainability through robust ESG governance and risk management. The Board plays a crucial role in formulating and implementing ESG strategies. By integrating ESG risk management into the overall framework, the Group addresses environmental, social, and governance issues. Besides, it believes that stakeholder engagement and open communication channels help understand and address expectations. Through these efforts, the Group aims to achieve sustainability objectives while considering stakeholders and the broader community.

## ESG Governance

The Group recognizes the importance of effective governance in addressing environmental, social, and governance issues. The Board of the Group plays a crucial role in overseeing and guiding the Group's ESG strategies and initiatives.

The Board, as the ultimate responsible body, formulates the Group's overall ESG strategy, sets policies, and ensures their implementation. By examining the Group's sustainability objectives, risks, opportunities, and overall development strategy, the Board identifies material ESG-related issues and formulates action plans to mitigate risks and improve performance. Besides, the Board establishes clear lines of responsibility and accountability for ESG matters to enhance governance effectiveness. It ensures that appropriate resources are allocated to implement ESG initiatives, and that management is held accountable for achieving ESG goals.

Regular reviews and assessments are conducted by the Board to monitor the Group's progress in addressing ESG issues. This includes evaluating the effectiveness of policies, measuring key performance indicators, and assessing the alignment of business practices with ESG principles.

The Board's commitment to ESG governance extends to fostering a culture of transparency, integrity, and ethical behaviour within the organization. It promotes open communication channels and encourages stakeholder engagement to ensure their opinions and concerns are considered in decision-making processes.

# Environmental, Social and Governance Report

## ESG Risk Management

The Group has integrated ESG risk management into its overall risk management framework. A regular holistic risk review and assessment process is conducted to identify, evaluate, and manage all principal and emerging risks within the Group’s risk appetite. By incorporating ESG considerations into their risk management practices, the Group demonstrates a commitment to addressing environmental, social, and governance issues.

Furthermore, the Group has no significant ESG risks that have been identified due to the nature of its business. While this may indicate a lower level of inherent ESG risks, it is important for the Group to maintain ongoing monitoring and assessment to promptly identify and manage emerging risks. Proactively managing ESG risks enhances the Group’s resilience, safeguards its reputation, and contributes to long-term sustainability. It is crucial for the Group to continue integrating ESG risk management practices into its operations and regularly review its performance to address potential risks and seize opportunities for improvement effectively.

## STAKEHOLDER ENGAGEMENT

Effective communication channels not only enable us to actively listen to stakeholders’ opinions but also help us gain a better understanding of their expectations and concerns regarding the group’s operations. By establishing strong partnerships with stakeholders, we can better grasp market trends and customer needs, making timely adjustments to our business strategies and operational models. Incorporating stakeholders’ input into our decision-making and strategy formulation enhances operational efficiency, strengthens trust, and promotes collaboration. We will optimize our products and services based on stakeholders’ feedback, ensuring that we meet their needs and expectations while aligning our group’s business performance with market requirements, establishing a solid foundation for long-term development.

Simultaneously, stakeholder participation contributes to the group’s ESG risk management. Their feedback and suggestions help us effectively identify and manage risks, improve sustainable development strategies and goals, and reduce negative impacts. Through close collaboration with stakeholders, we believe we can collectively achieve sustainable development goals and long-term business success.

The following table sets out our key stakeholders, their expectations for the Group and the communication channels.

Stakeholders	Expectations	Communication Channels
<b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>• Business strategies and sustainability</li> <li>• Corporate governance</li> <li>• Effective communication</li> <li>• Financial performance</li> <li>• Risk management</li> <li>• Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Annual, interim and quarterly reports</li> <li>• Annual general meetings</li> <li>• Circular and announcements</li> <li>• Company website</li> <li>• Extraordinary general meetings</li> <li>• Investor briefings</li> <li>• Mail, e-mail, facsimile and telephone communication</li> </ul>
<b>Clients</b>	<ul style="list-style-type: none"> <li>• Complaint handling mechanism</li> <li>• Information and cyber security</li> <li>• Integrity</li> <li>• Service effectiveness and stabilities</li> <li>• Service quality and reliability</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction survey</li> <li>• Mail, e-mail, facsimile and telephone communication</li> </ul>

# Environmental, Social and Governance Report

Stakeholders	Expectations	Communication Channels
Government and Regulatory Authorities	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Contribution in local employment</li> <li>• Fulfil tax obligations</li> <li>• Integrity and honesty</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory filings and notification</li> <li>• Written or electronic correspondences</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Fair and open selection</li> <li>• Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Business meetings</li> <li>• Mail, e-mail, facsimile and telephone communication</li> <li>• Inspections</li> </ul>
Community and the Public	<ul style="list-style-type: none"> <li>• Environmental and social contribution</li> <li>• Information transparency</li> <li>• Participation in community events</li> <li>• Promotion of corporate social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Announcements</li> <li>• Company website</li> <li>• ESG report</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Equal opportunity</li> <li>• Humanity cares</li> <li>• Occupational health and safety</li> <li>• Protection of rights</li> <li>• Remunerations and benefits</li> <li>• Training and career development</li> </ul>	<ul style="list-style-type: none"> <li>• Departmental meetings</li> <li>• Employee activities</li> <li>• Notice boards</li> <li>• Performance appraisals</li> <li>• Training and seminar</li> </ul>

## STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please send it to the Group via e-mail at [esg@victorysec.com.hk](mailto:esg@victorysec.com.hk).

## Materiality Assessment

The Group determines the materiality of different ESG issues through internal discussions among the Board and management, considering the opinions of various stakeholders. They evaluate the importance of each ESG issue based on its impact on the group. The Board and management would regularly review these issues to ensure their resolution and address any associated business risks.



# Environmental, Social and Governance Report

The result is shown as below:

MOST MATERIAL	ISSUES
	<ul style="list-style-type: none"> <li>• Occupational Health and Safety</li> <li>• Training and Development</li> <li>• Employment</li> </ul>
	<ul style="list-style-type: none"> <li>• Community Investment</li> <li>• Anti-corruption</li> <li>• Product Responsibility</li> </ul>
	<ul style="list-style-type: none"> <li>• Greenhouse Gases Emissions and Air Pollutants</li> <li>• Energy Consumption</li> <li>• Waste Management</li> <li>• Climate Change</li> </ul>
	<ul style="list-style-type: none"> <li>• Green Procurement</li> <li>• Supply Chain Management</li> </ul>
	<ul style="list-style-type: none"> <li>• Water Consumption</li> <li>• Child Labour and Forced Labour</li> </ul>
	LESS MATERIAL

The issues of “water resources” and “child labor and forced labor” are considered relatively less important compared to other issues and have limited impact on the group. Therefore, these two issues will only be limitedly addressed in the report.

## ENVIRONMENTAL

### The Management Approach

The Group demonstrates a proactive attitude towards environmental issues. It is committed to raising employee awareness of environmental protection and expects maximum efforts from employees to protect the environment in business activities and the workplace. Although the Group’s business does not involve high-temperature greenhouse gas emissions or air pollutants, and its demand for environmental resources is relatively low, it still places value on environmental issues and strives to reduce its environmental impact. Despite the limited impact of environmental issues on the Group’s business operations, it will continue to uphold its environmental commitments.

To enhance environmental protection and reduce emissions, the Group has implemented various measures in its business activities and workplaces to minimize its environmental impact. Internally, the Group actively raises employees’ awareness of environmental protection concepts and green products. It also identifies and manages the environmental impact of its operations to minimize it as much as possible. Externally, the Group promotes environmental beliefs in the supply chain and market. It takes multiple measures to reduce energy and resource usage, minimize waste, and improve recycling rates.

# Environmental, Social and Governance Report

## Energy Consumption

The Group is an investment holding company. Its subsidiaries primarily engage in the following activities in Hong Kong: (i) securities/futures/insurance brokerage services, placing and underwriting services, and securities advisory services; (ii) financing services; (iii) asset management services; (iv) financial advisory services; and (v) investment consultancy services. As the Group's business revolves around providing financial services, the energy, power, and resource consumption at its office in Hong Kong are relatively low. Therefore, the direct impact on the environment from the Group's day-to-day operations and business development is not significant.

During the reporting period, the Group's main sources of greenhouse gas emissions for the Group include office electricity usage, company vehicle usage, and transportation emissions from employee business travel. Additionally, the Group encourages employee participation in the planning and formulation of environmental policies to promote stakeholder involvement in environmental protection measures.

	2023		2022	
	Amount	Intensity (per employee)	Amount	Intensity (per employee)
<b>Energy Consumption</b>				
Electricity (kWh)	48,410.00	N/A	43,906.00	N/A
Petrol (kWh)	8,823.90	N/A	- <sup>1</sup>	N/A
<i>Petrol (L)</i>	<i>910.49</i>	<i>N/A</i>	<i>1,675.38</i>	<i>N/A</i>
Total (kWh)	57,233.90	1,100.65	-	N/A
<b>Greenhouse Gases Emissions<sup>2</sup> (including CO<sub>2</sub>, CH<sub>4</sub> &amp; N<sub>2</sub>O)</b>				
Scope 1 <sup>3</sup> (tCO <sub>2</sub> e-)	2.43	0.05	4.54	0.08
Scope 2 <sup>4</sup> (tCO <sub>2</sub> e-)	32.92	0.63	31.17	0.55
Scope 3 <sup>5</sup> (tCO <sub>2</sub> e-)	7.33	0.14	7.09	0.06
<i>Business Travel (Air)<sup>6</sup></i>	<i>4.41</i>	<i>0.08</i>	<i>3.65</i>	<i>0.06</i>
<i>Paper Consumption</i>	<i>2.93</i>	<i>0.06</i>	<i>3.44</i>	<i>0.06</i>
Total (tCO <sub>2</sub> e-)	42.68	0.82	42.80	0.75

2023

## Air Pollutants Emissions

NO <sub>x</sub> (kg)	0.71
SO <sub>x</sub> (kg)	0.01
PM (kg)	0.05

<sup>1</sup> It was not disclosed in 2022 ESG Report.

<sup>2</sup> The amount of greenhouse gas emissions is calculated based on the "Guidelines for Accounting and Reporting of Greenhouse Gas Emissions and Reduction in Hong Kong Buildings (Commercial, Residential, or Public Use)" issued by the Environmental Protection Department and the Electrical and Mechanical Services Department.

<sup>3</sup> The majority of greenhouse gas emissions come from the unleaded gasoline consumed by two cars owned by the group.

<sup>4</sup> The main source of emissions is the externally purchased electricity used in the office.

<sup>5</sup> Additionally, indirect emissions are generated by employees' use of paper and business air travel.

<sup>6</sup> In the fiscal year 2023, there were 23 air trips (2022: 22 trips).

# Environmental, Social and Governance Report

In terms of energy management, the group has implemented the following measures:

To reduce carbon footprint and emissions, our group promotes the implementation of energy-saving and eco-friendly measures in daily office operations. Some of these measures include:

1. Purchasing energy-saving office equipment and appliances, such as LED lights and energy-efficient light bulbs.
2. Prioritizing the purchase of appliances with high energy efficiency ratings.
3. Turning off lights and appliances in offices when they are not in use.
4. Continuously improving lighting and air conditioning systems to enhance overall energy efficiency.
5. Setting default power-saving modes for computers, copiers, printers, and fax machines in all departments.
6. Regularly reminding employees to turn off unnecessary appliances when leaving or on vacation to save electricity.
7. Periodically reviewing electricity bills to monitor office energy consumption.
8. Maintaining air conditioning temperatures between 24 and 26 degrees Celsius, as recommended by the Environmental Protection Department.

To minimize greenhouse gas emissions, we strongly encourage management and employees to conduct video conferences whenever possible in the future to reduce carbon footprints and air pollutants from transportation.

The group's environmental objectives focus on increasing employee awareness of environmental protection and reducing reliance on electricity and other environmental resources in their daily work. Since purchased electricity is the primary source of carbon emissions for the group, the potential for further carbon reduction is relatively limited. Nevertheless, the group will continue to encourage employees to implement various carbon reduction measures in their daily work and make positive contributions to environmental protection.

## Waste Management

The group aims to minimize general waste generated by employees in the office through raising awareness. Given the nature of the business, the group's operations do not produce any hazardous waste or packaging materials. The main harmless waste generated by the group's operations is office paper.

During the reporting period, the total paper consumption of the Group was 609.67 kg (2022: 715.70 kg).

# Environmental, Social and Governance Report

In terms of waste management, the group has implemented the following measures:

1. Encouraging departments to handle documents electronically, except for formal documents that require paper. In cases where paper usage is necessary, such as formal and confidential documents, double-sided printing or recycled paper is recommended.
2. Encouraging employees to recycle wastepaper and use laptops or tablets for note-taking during meetings instead of printing.
3. Procuring ink refillable or reusable stationery for the office to reduce single-use consumption.
4. Implementing waste management facilities, such as recycling bins, promotional posters, and bulletin boards, to enhance employee awareness of recycling.
5. Widely adopting digital services, such as electronic invoices, emails, and messaging tools, to communicate the latest information to customers.

These waste management measures contribute to reducing negative environmental impacts. By promoting digital services, saving paper usage, recycling wastepaper, and using reusable stationery, the group is committed to creating a paperless work environment. This not only reduces reliance on forest resources but also minimizes waste generation. These measures align with goals of environmental sustainability and also support business objectives such as cost savings and efficiency improvement.

## The Environment and Natural Resources

Although the operations of the Group do not have a significant impact on the environment and we do not heavily rely on environmental resources, we strongly value the intricate connection between environmental conditions and business development. Therefore, in addition to actively adhering to internal policies regarding energy and waste management to achieve sustainable development principles, the Group also takes into consideration the environmental performance when making investment decisions.

Regarding the use of water resources, the Group's business does not involve any water-related processes. Additionally, the amount of water used by employees for their daily lives is negligible. Therefore, relevant data will not be disclosed in the report.

## Climate Change

Climate change has a significant impact on the development and daily operations of global businesses. Therefore, the Group recognizes the importance of addressing the risks and opportunities associated with climate change. The Board is responsible for effective governance in integrating and addressing climate change issues within our business operations. This includes reviewing and monitoring any climate change risks that may be relevant to our business.

To manage these risks, the Board establishes a risk management system that identifies, prioritizes, and evaluates climate change risks such as heatwaves, droughts, and typhoons based on their impact and likelihood. Considering the nature of our business, the Board believes that climate-related issues have not significantly affected our operations.

# Environmental, Social and Governance Report

In relation to climate change, the Board acknowledges that rising temperatures are the most relevant impact on our business. This could result in increased energy consumption in our offices and subsidiaries. Our group will continue to monitor potential climate change risks and their impact on our operations and customers. We will develop and implement preventive and emergency measures accordingly. Additionally, our group will strive to control energy consumption and carbon emissions.

## SOCIAL

### Employment and Labour Practices

#### *The Management Approach*

This group places a strong emphasis on employee well-being and corporate governance. We are dedicated to creating a positive work environment and an efficient corporate management system. We firmly believe that employee satisfaction and happiness are vital to the Group's success. In terms of corporate governance, we adhere to various regulations and guidelines. This ensures that all employees meet the necessary job requirements in terms of education, training, skills, and work experience. Furthermore, we prioritize labor standards, provide equal opportunities and competitive compensation, and nurture an inclusive culture that values diversity.

To accomplish this, we actively encourage diversity and value the different perspectives of employees of all ages and genders. We believe that this diversity fosters new ideas and innovations within our Group, leading to better decision-making and problem-solving capabilities.

Through these management policies, we are committed to cultivating a healthy, harmonious, and sustainable corporate culture. We strive to ensure compliance with laws and regulations, protect shareholder rights, and fulfill our responsibilities to stakeholders.

- **Labour standards**

The Group is committed to complying with statutory requirements related to employment and labor practices in Hong Kong, such as the Employment Ordinance (Chapter 57) and the Occupational Safety and Health Ordinance. We prioritize ensuring that all employees receive their full salary on time every month, protecting their rights and welfare. Our Employee Handbook clearly outlines policies and guidelines on labor practices, including working hours, leave, equal opportunities, anti-discrimination, and other terms and benefits. These policies and guidelines promote fair and consistent treatment, providing our employees with reasonable working conditions and benefits.

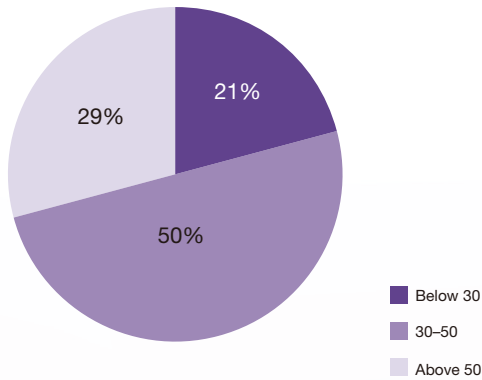
Our recruitment, compensation, training, and promotion processes are built on a foundation of fairness, solely assessing professional experience and/or job performance. We regularly review our internal management systems to ensure compliance with labor laws and update compensation and benefits policies as necessary, guaranteeing that our employees enjoy their statutory rights. Moreover, we offer fair and competitive compensation based on an employee's experience, qualifications, performance, and current market rates. We periodically review relevant benefits to align them with market trends.

The Group has established comprehensive standards and procedures for recruitment, verifying personal information to prevent child labor or forced labor. During the reporting period, the Group did not encounter any instances of non-compliance with labor guidelines, laws, and regulations.

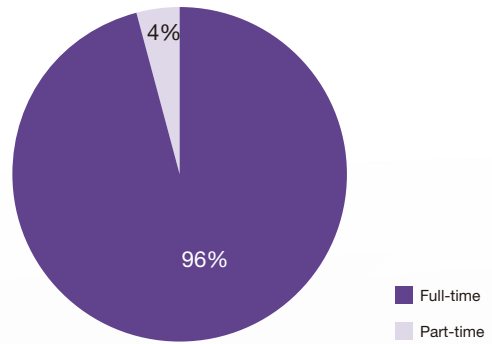
# Environmental, Social and Governance Report

As of 31 December 2023, the total number of employees in this group was 52 (excluding independent non-executive directors) (2022: 57 employees). The breakdown of the group's employee workforce is as follows:

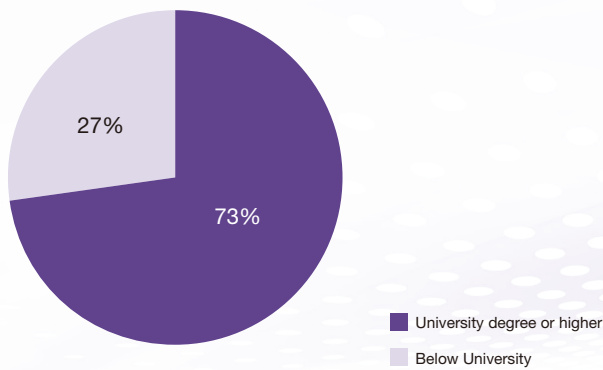
### By Age Group



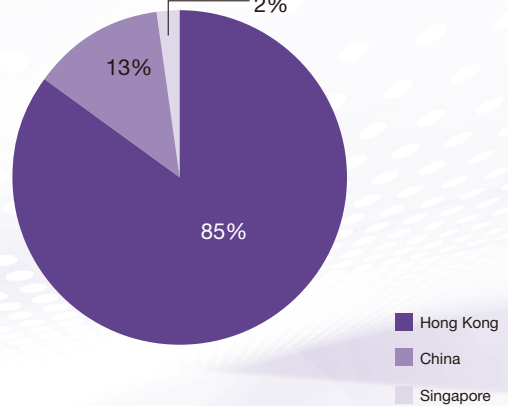
### By Employment Type



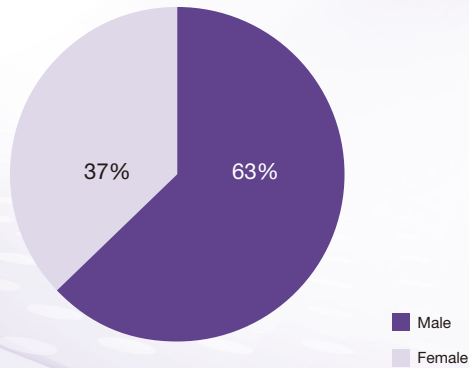
### By Education Background



### By Location



### By Gender

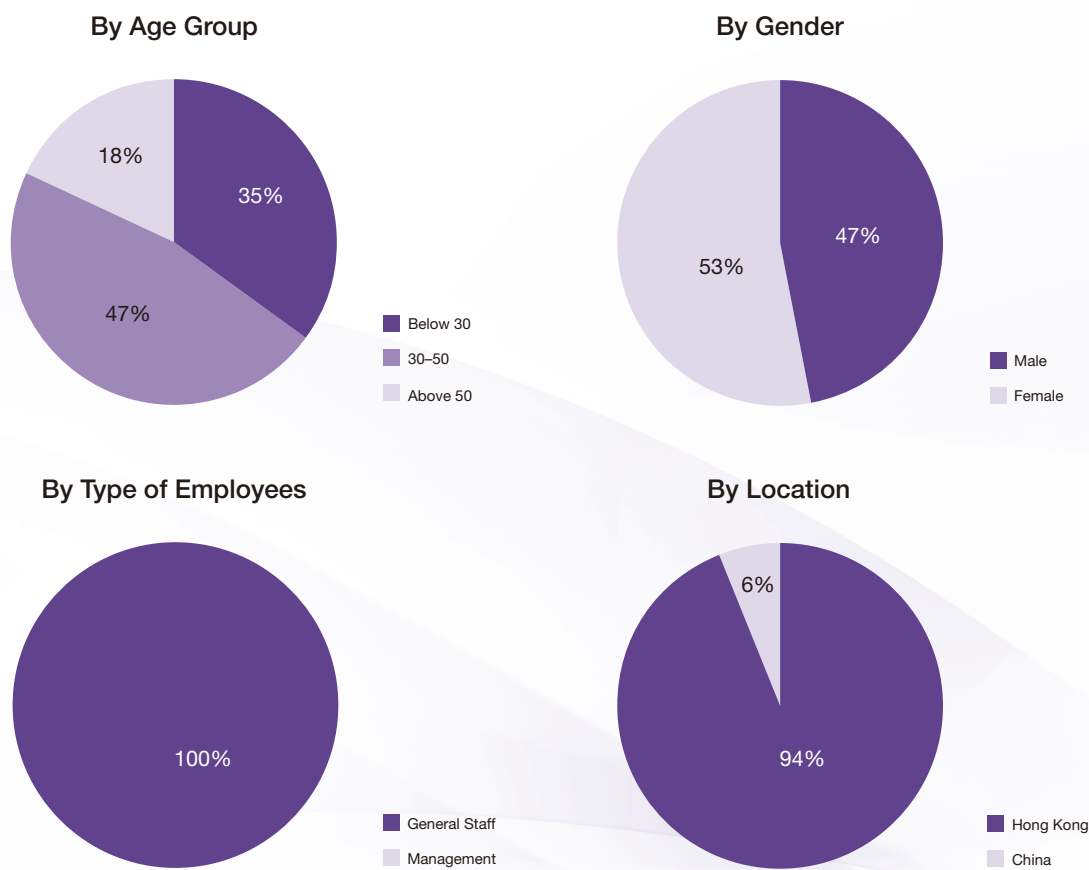


# Environmental, Social and Governance Report

- Talent retention**

To attract and retain talent, the Group focuses on offering competitive compensation and creating a positive working environment. Effective communication is also key in reducing talent turnover. For instance, the HR department conducts exit interviews with departing employees to gather feedback and understand their reasons for resigning. This information helps improve the Group's operations. The low turnover rate for managerial positions reflects higher employee satisfaction and engagement.

During the reporting period, the Group's employee turnover rate was approximately 33% (2022: 26%). The analysis of the Group's employee turnover rate is as follows:



Throughout the reporting period, the Group has not identified any significant non-compliance with applicable employment laws and regulations. These include, but are not limited to, the Companies Ordinance, Employment Ordinance, Minimum Wage Ordinance, Sex Discrimination Ordinance, and Race Discrimination Ordinance.

# Environmental, Social and Governance Report

- **Welfare and benefits**

We are committed to creating a work environment free from discrimination, where every employee is treated equally and with respect, regardless of gender, ethnicity, race, disability, age, religion, sexual orientation, or family status.

We provide comprehensive welfare programs for our employees that exceed the requirements of labor laws. In addition to competitive compensation and benefits, we offer opportunities for career advancement and foster the professional development of our employees. We uphold the principles of equality and fairness in our hiring, compensation, training and development, promotion, and other employment practices, ensuring that all employees have equal opportunities to showcase their talents and advance their careers. We also encourage and support employees in enhancing their abilities and skills through various training and development programs. Everyone, regardless of their personal characteristics, can participate in these programs and receive corresponding support and opportunities.

All employees are entitled to medical insurance, discretionary bonuses, medical benefits, paid annual leave, paid sick leave, paid birthday leave, education subsidies, and examination allowances, among other benefits. In Hong Kong, we also provide birthday leave as a token of appreciation for our employees, allowing them to enjoy a day off on their birthday.

In addition to statutory benefits, our group organizes social welfare activities on traditional holidays and special occasions to enhance team cohesion, such as Lunar New Year parties, Christmas parties, lucky draws, and regular gatherings.

We believe in the power of diversity, which enriches our work environment and teams, and brings innovation and competitive advantages to our business. We will continue to strive for an open, inclusive, and discrimination-free work environment where every employee feels valued and respected.

- **Health and safety**

The Group prioritizes the safety and well-being of its employees, adhering to the Hong Kong Occupational Safety and Health Ordinance and the Employees' Compensation Ordinance.

Ensuring occupational health and safety is crucial to the Group. To provide a safe and comfortable working environment, the Group organizes health seminars, offers fitness facilities, and implements safety measures like regular inspections of ventilation systems and office facilities. Additionally, the Group provides medical subsidies to encourage regular check-ups and promote employee well-being.

Throughout the reporting period, the Group remained compliant with health and safety regulations. There were no work-related accidents, work stoppages, or fatalities due to work-related incidents in the past three years, including the reporting period.



# Environmental, Social and Governance Report

- **Development and training**

The Group has always actively encouraged employees to pursue further education, as we believe that employee progress is the driving force behind the group's development. Therefore, the Group is happy to invest in employee training and development. Employees in the Group can realize their own value based on their interests and expertise, and grow together with the group.

The Group is regulated by multiple regulations, rules, and guidelines, including but not limited to the "Securities and Futures Ordinance", the "Money Lenders Ordinance", the "Personal Data (Privacy) Ordinance", the "GEM Listing Rules", and the "Guidelines on Anti-Money Laundering and Counter-Terrorist Financing" issued by the Securities and Futures Commission ("SFC"). It is crucial to ensure that all employees meet the educational, training, skills, and work experience requirements of their respective roles.

The Group encourages and subsidizes employees at all levels to enroll in and/or participate in external courses or training programs that contribute to their career and professional development. Additionally, the Group provides monthly internal training courses in various areas, such as corporate governance, compliance with applicable rules and regulations for listed companies, industry-specific regulatory requirements, and the latest information on accounting, finance, and industry developments. Relevant policies have been implemented to ensure systematic provision and management of employee training.

During the reporting period, the following data represents employee training:

	Percentage of employee trained	Average training hours per employee
<b>By gender</b>		
Female	79%	11 hours
Male	91%	13 hours
<b>By employee category</b>		
Management	88%	11 hours
General staff	86%	12 hours

To further promote employees' abilities and performance, the Group has established a comprehensive performance management system. Each employee undergoes an annual performance assessment conducted by their team supervisor, and after each assessment, the employee and supervisor collaborate to set performance goals. The Group also encourages supervisors to regularly provide constructive feedback to support each employee's personal growth.

# Environmental, Social and Governance Report

## Operating practices

### *The Management Approach*

The Group recognizes that the stable operation of the business depends on efficient and stable corporate governance. This ensures that the group performs well in various aspects such as supply chain management, product responsibility, customer service, and clean operations. These areas lay a solid foundation for long-term value creation. Therefore, we have established comprehensive management policies in each of these areas.

- **Supply chain management**

The Group recognizes the importance of supply chain management. To monitor and manage the environmental and social risks associated with our suppliers, we have implemented a comprehensive supplier management system. Our suppliers include hardware and software providers, quotation and market information suppliers, legal and accounting professionals, and office equipment suppliers, among others.

Prior to making any purchasing decisions, we evaluate suppliers based on various criteria. These criteria include past quotation records, product quality, technical capabilities, financial status, performance records, and the suppliers' environmental and social responsibility policies. We prioritize the use of environmentally friendly products or services as we highly value environmental protection.

Furthermore, we regularly conduct audits and inspections of our suppliers to ensure that they meet our company's standards. If a supplier fails to meet our requirements, we remove them from our list of suppliers. These audits and evaluations form the foundation of our supplier management and guide our decisions on whether to continue or terminate our cooperation with suppliers.

<b>Number of local suppliers of the Group</b>	<b>Number of overseas suppliers of the Group</b>
90	23
<b>Number of suppliers where the practices mentioned above are being implemented</b>	
100%	100%

# Environmental, Social and Governance Report

- **Product responsibility and customer services**

The Group has implemented a comprehensive internal control and compliance program to ensure that all members of the group adhere to relevant laws and regulations. The compliance department is responsible for ensuring that business operations in the financial services sector comply with applicable laws and regulations. Additionally, the Group will closely monitor changes in laws and regulations within its operational areas and make timely adjustments to internal control policies.

The quality of service provided by employees and the stability of the trading platform significantly impact customers' service experience when using the group's services. To ensure a positive service experience for customers, the group regularly provides training for frontline employees and keeps them informed about updates to relevant laws, rules, and regulations. This ensures that employees possess professional knowledge and understand the nature and risks associated with financial services. With this knowledge, they can provide valuable advice and professional, compliant services to customers in any situation. Furthermore, management conducts regular reviews of the group's trading systems and makes necessary improvements, including enhancements to internal control and management systems or facilities, in order to prevent system failures.

If customers find their service experience unsatisfactory, they can provide feedback through the group's communication channels, such as customer hotlines, emails, and the Group's website. The group has established an effective mechanism to respond to various requests or complaints. Upon receiving complaints or disputes through different channels, the group promptly investigates and provides solutions. The compliance department independently handles relevant complaints and responds to individual customers and/or relevant law enforcement agencies.

During the reporting period, the group has not become aware of any significant non-compliance situations that may have had a significant adverse impact on the group's compliance with Hong Kong laws and regulations related to health and safety, advertising, labeling, privacy, and remedies associated with the products and services provided.

- **Intellectual property rights**

The Group respects intellectual property rights and is committed to protecting its own and third-party intellectual property. The Group has obtained all necessary licenses, qualifications, and permits for its business operations. All software installed by the Group has been purchased from legitimate sources.

# Environmental, Social and Governance Report

- **Protection of data**

The Group believes in the importance of responsible information handling as part of our commitment to Environmental, Social, and Governance ESG principles. Our systems, which handle critical records and transaction information, operate on intranets and leverage the file server's active backup services.

To ensure data integrity, we have implemented a robust backup procedure. Our data is replicated three times: once on production storage (SAN) and twice on distinct Network Attached Storage (NAS) systems. Additionally, we maintain a securely stored offsite copy as part of our comprehensive data backup strategy.

In line with our commitment to secure data handling, all backups are automatically encrypted, providing an additional layer of security. We use the File Server Backup Service for data recovery, and we conduct regular drills to guarantee efficacy. These drills take place annually and immediately after the launch of new systems, thereby ensuring their readiness and security.

When it comes to systems not developed in-house, such as our communication application, we adhere to strict evaluation criteria. We select systems based on data classification and the vendor's backup and recovery procedures. The system we use is a cloud-based Software as a Service (SaaS), deployed on Alibaba. It supports various functions like document management, spreadsheets, and cloud file storage, reinforcing our commitment to efficient and sustainable business practices.

When it comes to safeguarding personal data privacy, the Group places a strong emphasis on maintaining the confidentiality of personal data and customer privacy. It has developed a policy for protecting personal data in accordance with the Personal Data (Privacy) Ordinance. This policy governs the collection, processing, and use of customer personal data. The Group adheres to the six data protection principles and other relevant provisions outlined in the Personal Data (Privacy) Ordinance. Additionally, regular policy reviews are conducted to prevent any misuse or unauthorized disclosure of personal data.

- **Anti-corruption**

This group places great importance on anti-corruption and clean and compliant operations. We understand that these principles are not only moral requirements but also crucial for maintaining our corporate image and protecting the rights and interests of stakeholders. To ensure that our business operations meet the requirements of anti-corruption and compliance, we have established a series of policies and procedures.

Firstly, we have developed procedures for customer screening and monitoring, know your customer norms, record keeping, and reporting suspicious activities based on relevant laws, regulations, and guidelines issued by regulatory authorities. By strictly implementing these procedures, we ensure the legality and credibility assessment of customer identity. Additionally, we can promptly detect and report any suspicious financial activities to prevent money laundering and terrorist financing.

## Environmental, Social and Governance Report

Secondly, we are committed to enhancing employees' awareness and execution capabilities regarding anti-corruption and compliance. We have implemented policies to prevent commercial bribery and have formulated corresponding policies, procedures, and control measures based on the "Guidelines for Combating Money Laundering and Terrorist Financing" issued by the Securities and Futures Commission. During the reporting period, we provided training for employees at all levels to enhance their awareness of combating money laundering and terrorist financing. This ensures that they can comply with relevant legal requirements and make business decisions aligned with social and moral values.

Furthermore, we have established an effective reporting mechanism that allows stakeholders such as employees, shareholders, customers, and suppliers to confidently report suspected misconduct, fraud, or deception. Once reported, these cases are handled and followed up by an independent investigation team or the Board. Our priority is to take reported cases seriously, resolve them, and protect the privacy and rights of the whistleblowers.

We are committed to ensuring that all employees comply with applicable legal requirements and make business decisions that align with social and moral values in various situations. To support each operating unit in their responsibilities and daily operations, we have established an internal compliance service department. Additionally, we continuously monitor changes in external laws and regulations to ensure that our business operates in accordance with relevant applicable laws and regulations.

The Group remains committed to anti-corruption and clean and compliant operations. We will continue to strengthen our policies and implementation measures to ensure that our business operates ethically and within the framework of the law. By doing so, we aim to create long-term value for our stakeholders.

- **Compliance with laws and regulations**

The Compliance Department of the Group is dedicated to providing internal compliance services to support the various operating units in fulfilling their responsibilities and daily operations. They receive assistance from external legal advisors to ensure compliance with all relevant laws, rules, and regulations, including the Securities and Futures Ordinance, the Prevention of Bribery Ordinance, and codes and guidelines issued by the Securities and Futures Commission.

The Group will regularly remind employees and operating units to stay updated on any changes in applicable laws, rules, and regulations. It holds the necessary licenses to provide services such as dealing in securities and futures contracts, providing advice on securities and futures contracts, advising on corporate finance and asset management, and insurance brokerage. Management must ensure that all business activities are conducted in accordance with the relevant laws and regulations.

# Environmental, Social and Governance Report

## COMMUNITY

### Community Investment

The Group places great importance on community responsibility and is committed to investing in the areas of education, environment, and health. We firmly believe that investments in these areas will have a positive impact on the community, promoting sustainable development and improving quality of life. Additionally, to encourage employee engagement in social initiatives, we actively encourage their participation in community and charitable activities, allowing them to explore their potential beyond their work roles. The Group's management team plays a crucial role in mobilizing employees to participate in all these activities, aligning with our commitment to sustainable development.

Victory Securities Company Limited has been recognized with the "Caring Company" logo, acknowledging its ongoing dedication to caring for the community, employees, and the environment.

### *Our Focus*

#### Education

Education is key to social progress. The Group will invest in educational projects aimed at providing opportunities for learners, especially marginalized groups, to access quality education.

#### Environment

Environmental protection is our collective responsibility. The Group will focus on investing in environmental projects to promote sustainable development and reduce our impact on natural resources. We will support environmental conservation organizations and advocates, promote environmental education and awareness, and participate in environmental conservation activities and initiatives.

#### Health

Health is the foundation of a happy life. The Group will invest in health projects to support the physical and mental well-being of community members. We will support healthcare institutions and non-profit organizations, providing improved medical facilities and services, and promoting health promotion and disease prevention.

Through these community investments, our goal is to create positive changes for community members, promoting social progress and sustainable development. We will collaborate with community partners to implement and execute these projects, working alongside stakeholders to build a better and more sustainable future.

# REPORT OF THE DIRECTORS

The board of directors (the “**Directors**”) of Victory Securities (Holdings) Company Limited (the “**Company**”) (the “**Board**”) are pleased to present this annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (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/futures broking/insurance policies, placing and underwriting services and advising on securities services; (ii) financing services; (iii) assets management services; (iv) financial advisory services; and (v) investment consultancy services. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

The Group is also engaged in the provision of (i) virtual asset dealing services under an omnibus account arrangement; (ii) virtual asset dealing services by way of introducing eligible clients to licensed virtual asset platforms for direct trading; (iii) market and distribute of virtual asset-related private funds to eligible clients; (iv) securities brokerage services to eligible clients with respect to virtual asset-related exchange traded funds (including exchange-traded virtual asset derivative funds); and (v) virtual asset advisory services with licensing conditions imposed on the license of the subsidiary.

The Group can also manage portfolios that invest in virtual assets, subject to compliance with the SFC’s “Proforma Terms and Conditions for Licensed Corporations which Manage Portfolios that Invest in Virtual Assets”.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 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 91 to 92 of this annual report.

An interim dividend of HK0.80 cent per share for the six months ended 30 June 2023 (for the six months ended 30 June 2022: HK1.00 cent per share) amounting to approximately HK\$1,600,336 was paid to the shareholders of the Company (“**Shareholders**”) on 8 September 2023.

The Board recommended the payment of a final dividend of HK0.50 cents per share for the year ended 31 December 2023 (for the year ended 31 December 2022: HK1.20 cents per share), amounting to approximately HK\$1,002,210 to those Shareholders whose names appear on the register of members at the close of business on Thursday, 6 June 2024, subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Thursday, 30 May 2024 (“**2024 AGM**”). It is expected that the final dividend will be paid on or about Wednesday, 26 June 2024, if approved.

# Report of the Directors

## CLOSURE OF REGISTER OF MEMBERS

### To be eligible to attend and vote at the 2024 AGM

The register of members of the Company will be closed from Friday, 24 May 2024 to Thursday, 30 May 2024, 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 2024 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 23 May 2024.

### To qualify the proposed final dividend

The register of members of the Company will also be closed from Friday, 7 June 2024 to Tuesday, 11 June 2024, 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, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 6 June 2024.

## 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 2023 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 6 and pages 8 to 19 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 34 to 40 and note 38 to the consolidated financial statements respectively.

## 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 2023, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of the environment and acts in an environmentally responsible manner, the Group adopts effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling used papers and energy saving.

## RELATIONSHIPS WITH STAKEHOLDERS

Employees are valuable assets to the Group, therefore the Group provides a competitive remuneration package to attract and retain competent employees. The Group regularly reviews the remuneration package of the employees to ensure it conforms to the market standard. The Group also endeavours to maintain good relationships with clients and banks to achieve its corporate mission and goals by maintaining effective communications between the Group and its clients and business partners. During the year ended 31 December 2023, there was no material and significant dispute between the Group, its clients and business partners.



# Report of the Directors

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 188 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group acquired property and equipment at a cost of HK\$164,989.

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 15 to the consolidated financial statements.

## BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2023 are set out in note 27 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2023 are set out in note 31 to the consolidated 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 95 of this annual report.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves available for distribution amounted to approximately HK\$43,285,084. 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 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

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

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme and share award scheme of the Company as set out in the section headed "Share Option Scheme" and "Share Award Scheme", respectively 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.

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the aggregate amount of turnover attributable to the Group's five largest customers accounted for 17.1% (for the year ended 31 December 2022: 24.4%) of the Group's total turnover. The largest customer accounted for 4.3% (for the year ended 31 December 2022: 11.4%) 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 "Management Discussion and Analysis" of this report, the Group does not have other plans for material investments and capital assets as at 31 December 2023.

## 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

### Non-Executive Director

Mr. Chan Ying Kit (*Chairman*)

### Independent Non-executive Directors

Mr. Ying Wing Ho Peter  
Mr. Liu Chun Ning Wilfred  
Dr. Yan Ka Shing

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.

## Report of the Directors

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 2024 AGM and, being eligible, have offered themselves for re-election at the 2024 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 20 to 24 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 2023, 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	80,193,750	40.02%
	Beneficial owner	28,476,000	14.21%
Mr. Chan Ying Kit <sup>(1) and (2)</sup>	Interest of spouse	108,669,750	54.23%
Mr. Chiu Che Leung, Stephen	Beneficial owner	900,000	0.45%
Mr. Chan Pui Chuen	Beneficial owner	13,394,000	6.68%

Notes:

- (1) Dr. TT Kou's Family Company Limited (“DTTKF”) is the registered owner of 80,193,750 shares, representing 40.02% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Mr. Chan Ying Kit, Mr. Chan Pui Chuen, Mr. Ko Yuen Kwan and Mr. Ko Yuen Fai in the proportion of approximately 78.89%, 9.34%, 6.86%, 3.66% 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	84,431,667	78.89%
Mr. Chan Pui Chuen	DTTKF	Beneficial owner	7,340,000	6.86%
Mr. Chan Ying Kit	DTTKF	Beneficial owner	10,000,000	9.34%

## Report of the Directors

Save as disclosed above, as at 31 December 2023, 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 2023, so far as it is known to the Directors, the following person, not being a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group:

Name of Shareholder	Capacity/nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
DTTKF <sup>(1)</sup>	Beneficial owner	80,193,750	40.02%

Note:

- (1) DTTKF is the registered owner of 80,193,750 shares, representing 40.02% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Mr. Chan Ying Kit, Mr. Chan Pui Chuen, Mr. Ko Yuen Kwan and Mr. Ko Yuen Fai in the proportion of approximately 78.89%, 9.34%, 6.86%, 3.66% and 1.25%, respectively. Accordingly, Ms. Kou Kuen is deemed to be interested in all shares held by DTTKF under the SFO.

Save as disclosed above, as at 31 December 2023, 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.

# Report of the Directors

## Participants

Our Board may at its discretion grant right(s) to subscribe for share(s) pursuant to (i) the terms of the Scheme (the “Option(s)”); and (ii) Chapter 23 of the GEM Listing Rules 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 11,213,000 shares.

## 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.

# Report of the Directors

## 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 (i.e. 14 June 2018), 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 2023 are set out as follows:

Category of participants	Date of grant	Exercise and vesting period	Exercise price per share <sup>(2)</sup> HK\$	Number of share options					Outstanding as at 31 December 2023	
				Outstanding as at 1 January 2023	Granted during the year <sup>(1)</sup>	Lapsed or forfeited during the year	Exercised during the year	Cancelled during the year		
Directors/chief executive and their associates	Ms. Kou Kuen	30 December 2021	30 December 2022 to 14 June 2028	2.29	60,000	-	-	-	-	60,000
			30 December 2023 to 14 June 2028	2.29	60,000	-	-	-	-	60,000
			30 December 2024 to 14 June 2028	2.29	80,000	-	-	-	-	80,000
Mr. Chiu Che Leung Stephen	30 December 2021	30 December 2022 to 14 June 2028	2.29	60,000	-	-	-	-	60,000	
		30 December 2023 to 14 June 2028	2.29	60,000	-	-	-	-	60,000	
		30 December 2024 to 14 June 2028	2.29	80,000	-	-	-	-	80,000	
Mr. Chan Pui Chuen	30 December 2021	30 December 2022 to 14 June 2028	2.29	106,500	-	-	-	-	106,500	
		30 December 2023 to 14 June 2028	2.29	106,500	-	-	-	-	106,500	
		30 December 2024 to 14 June 2028	2.29	142,000	-	-	-	-	142,000	

## Report of the Directors

Category of participants	Date of grant	Exercise and vesting period	Exercise price per share <sup>(2)</sup> HK\$	Number of share options					Outstanding as at 31 December 2023
				Outstanding as at 1 January 2023	Granted during the year <sup>(1)</sup>	Lapsed or forfeited during the year	Exercised during the year	Cancelled during the year	
Non-director Employees	30 December 2021	30 December 2022 to 14 June 2028	2.29	1,815,300	-	(28,500)	(324,000)	-	1,462,800
		30 December 2023 to 14 June 2028	2.29	1,815,300	-	(28,500)	-	-	1,786,800
		30 December 2024 to 14 June 2028	2.29	2,420,400	-	(38,000)	-	-	2,382,400
<b>Total</b>				<b>6,806,000</b>	<b>-</b>	<b>(95,000)</b>	<b>(324,000)</b>	<b>-</b>	<b>6,387,000</b>

### Notes:

- (1) The Company received a consideration of HK\$1.00 from each of the grantees for the Options granted on 30 December 2021.
- (2) The closing price of the securities of the Company immediately before the date on which the Options were granted on 30 December 2021 was HK\$2.10.

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the year ended 31 December 2023.

### SHARE AWARD SCHEME

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

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



# Report of the Directors

## Eligible Participants for the Award Scheme

The Board may, from time to time, at its absolute discretion select any eligible person for participation in the Award Scheme as a selected participant. Participation in the Award Scheme is limited to selected participants only. The entitlement to the awarded shares and/or the related income shall be designated by the Board at its absolute discretion.

The eligibility of the eligible persons to an award of shares of the Company (together with the related income attributable to such shares, if any) to selected participants as determined by the Board pursuant to (i) the rules of the Award Scheme (“Award”); and (ii) Chapter 23 of the GEM Listing Rules shall be determined by the Board considering: (i) his/her past and future contribution to the Group; (ii) the financial condition of the Group; and (iii) the Group’s business objectives and development plan.

## Duration

Subject to any early termination as may be determined by the Board, the Award Scheme shall be valid and effective for a term of ten years commencing on the adoption date (i.e. 11 August 2020) of the Award Scheme, and after the expiry of such ten years’ term no further Award may be made but the rules of the Award Scheme shall remain in full force and effect to the extent necessary to give effect to any award made prior thereto and the administration of the trust property held by the Trustee pursuant to the Trust Deed.

## Administration

The Award Scheme shall be subject to the administration of the Board (or the scheme administrator, who is authorised by the Board to render supports in all aspects to the Board in connection with the implementation of the Award Scheme) whose decisions on all matters arising in relation to the Award Scheme or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby, provided that such administration shall not prejudice the powers of the Trustee as provided under the Trust Deed.

## Scheme Limit

The aggregate number of shares of the Company administered under the Award Scheme and underlying all grants of shares of the Company (excluding shares of the Company where the rights to acquire them has been released or lapsed in accordance with the Scheme) made pursuant to the Award Scheme shall not exceed 10% of the Company’s issued shares as at the adoption date of the Award Scheme. The maximum number of the awarded shares of the Company which may be granted to an individual selected participant shall not exceed 1% of the issued shares of the Company as at the adoption date of the Award Scheme. Where any Award is proposed to be made to any selected participant who is a connected person pursuant to the GEM Listing Rules, the aggregate number of awarded shares of the Company to the connected persons must be 30% or less of the Award Scheme limit as stated above.

## Voting Rights

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the trust of the Award Scheme (including but not limited to (i) any shares of the Company in the shares pool held by the Trustee pursuant to the Trust Deed; (ii) the awarded shares to selected participants; (iii) the shares of the Company purchased by the Trustee out of net proceeds of sale of non-cash and non-scrip distributions declared and distributed by the Company in respect of shares of the Company held upon the trust constituted by the Trust Deed; (iv) the awarded shares which are not vested and/or forfeited in accordance with the terms of the Award Scheme, or was forfeited in accordance with the terms of the Award Scheme; and (v) any bonus shares and scrip shares of the Company).

# Report of the Directors

## Alteration

The Award Scheme may be altered in any respect by a resolution of the Board together with the prior written consent of the Trustee provided that no such amendment shall operate to affect adversely any subsisting rights of any selected participant.

## The total number of shares available for issue

The total number of shares available for issue under the Award Scheme is 20,004,200 shares, representing approximately 10.00% of the issued shares of the Company as at the adoption date of the Award Scheme.

## The vesting period

The Board shall, subject to and in accordance with the rules of the Award Scheme and any applicable laws and regulations, including Chapter 23 of the GEM Listing Rules, determine the earliest vesting date, and the condition(s) or performance target(s), if any, that must be attained by the relevant selected participant before any of the awarded shares may be transferred to and vested in such selected participant under such award.

Details of the Award Scheme are set out in the Company's announcement dated 11 August 2020. No payment is needed on acceptance of the award and there is no purchase price under the Award Scheme.

The Company did not purchase any of its own ordinary shares through the Trustee during the year ended 31 December 2023. The movements of the shares held under the Trustee during the year ended 31 December 2023 are set out in the "Consolidated Statement of Changes in Equity" in this report and note 33 to the consolidated financial statements. No shares were awarded to selected participants during the year ended 31 December 2023.

## 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.

# Report of the Directors

## 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 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 2023.

## 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 consolidated financial statements.

## CONTINUING CONNECTED TRANSACTIONS

- (1) **Brokerage and Financing Services Agreements (“Brokerage and Financing Services Agreements”)**  
Victory Securities Company Limited (“**Victory Securities (HK)**”), a wholly owned subsidiary of the Company, separately entered into the Brokerage and Financing Services Agreements (the “**Brokerage and Financing Services Agreements**”) with (i) Ms. Kou Kuen (“**Ms. Kou**”); (ii) Mr. Chan Pui Chuen (“**Mr. Chan**”); (iii) Mr. Ko Yuen Kwan (“**Mr. Ko**”); and (iv) Mr. Chiu Che Leung Stephen (“**Mr. Chiu**”) on 5 November 2020 for a term of three years from 1 January 2021 to 31 December 2023.

Pursuant to the Brokerage and Financing Services Agreements, the Group will continue to provide financing services and securities brokerage services to Ms. Kou and her associates (“**Ms. Kou’s Group**”), Mr. Chan and his associates (“**Mr. Chan’s Group**”), Mr. Ko and his associate (“**Mr. Ko’s Group**”) and Mr. Chiu and his associates (“**Mr. Chiu’s Group**”). The Brokerage and Financing Services Agreements were entered into to facilitate, among other things, the continuing provision of financing services and securities brokerage services by the Group to Ms. Kou’s Group, Mr. Chan’s Group, Mr. Ko’s Group and Mr. Chiu’s Group, which can provide additional stable revenue source for the Group and on the other hand satisfy the demand from Ms. Kou’s Group, Mr. Chan’s Group, Mr. Ko’s Group and Mr. Chiu’s Group.

## Report of the Directors

Since (i) Ms. Kou and Mr. Chan are the Directors and one of the controlling Shareholders and Mr. Ko is also one of the controlling Shareholders; and (ii) Mr. Chiu is the Director of the Company, they are all regarded as connected person under the definition of the GEM Listing Rules. Accordingly, the provision of the financing services and securities brokerage services to them and their associates by Victory Securities (HK) will constitute continuing connected transactions. As some of these continuing connected transactions were entered into with the parties connected or otherwise associated with one another, the transactions 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.

### *Annual caps amount under the Brokerage and Financing Services Agreements*

The annual caps amount of the transactions under the Brokerage and Financing Services Agreement for each of the three years ending 31 December 2023 are as follows:

	For the year ending 31 December		
	2021 HK\$	2022 HK\$	2023 HK\$
<b>Ms. Kou's Group</b>			
Non-IPO Financing Annual Caps	15,000,000	16,500,000	18,000,000
IPO Financing Annual Caps	6,800,000	7,480,000	8,160,000
Financing Annual Caps	21,800,000	23,980,000	26,160,000
Interest Annual Caps	1,650,000	1,815,000	1,980,000
Brokerage Annual Caps	188,000	197,000	206,000
Servicing Annual Caps	1,838,000	2,012,000	2,186,000
<b>Mr. Chan's Group</b>			
Non-IPO Financing Annual Caps	5,000,000	5,500,000	6,000,000
IPO Financing Annual Caps	1,200,000	1,320,000	1,440,000
Financing Annual Caps	6,200,000	6,820,000	7,440,000
Interest Annual Caps	450,000	495,000	540,000
Brokerage Annual Caps (Note)	120,000	132,000	144,000
Servicing Annual Caps (Note)	570,000	627,000	684,000
<b>Mr. Ko's Group</b>			
Non-IPO Financing Annual Caps	6,500,000	6,800,000	7,200,000
IPO Financing Annual Caps	1,500,000	1,650,000	1,800,000
Financing Annual Caps	8,000,000	8,450,000	9,000,000
Interest Annual Caps	600,000	630,000	660,000
Brokerage Annual Caps	300,000	315,000	330,000
Servicing Annual Caps	900,000	945,000	990,000
<b>Mr. Chiu's Group</b>			
Non-IPO Financing Annual Caps	20,000	22,000	24,000
IPO Financing Annual Caps	200,000	220,000	240,000
Financing Annual Caps	220,000	242,000	264,000
Interest Annual Caps	12,000	13,200	14,400
Brokerage Annual Caps	12,000	13,000	14,000
Servicing Annual Caps	24,000	26,200	28,400

## Report of the Directors

### Note:

Pursuant to a meeting of the Board held on 16 June 2021, the Board has approved the supplemental deed entered into by Victory Securities (HK) with Mr. Chan to revise:

- (i) the Brokerage Annual Cap of Mr. Chan's Group was increased from HK\$12,000, HK\$13,000 and HK\$14,000 for each of the three years ending 31 December 2023 to HK\$120,000, HK\$132,000 and HK\$144,000 for each of the three years ending 31 December 2023. Thus the aggregated of the maximum annual amounts of the Brokerage Annual Caps and Interest Annual Caps (i.e. the Servicing Annual Caps as defined in the Brokerage and Financing Services Agreement) for Mr. Chan's Group for each of the three years ending 31 December 2023 will be increased from to HK\$462,000, HK\$508,000 and HK\$554,000 to HK\$570,000, HK\$627,000 and HK\$684,000.

In determining the Servicing Annual Caps, the directors of the Company have taken into account (i) the aggregated of Brokerage Annual Caps and the Interest Annual Caps; (ii) the expected trading volume of Mr. Chan's Group based on historical trading record; (iii) the Financing Annual Caps; (iv) the expected average interest rates for the Financing Services; and (v) the interest rates charged by other financing services providers.

The Board is of the view that the increase in the Brokerage Annual Cap (and thus the increase in the Servicing Annual Cap) were on normal commercial terms or better and in the ordinary and usual course of business of the Company and its subsidiaries and the increase in the Brokerage Annual Cap (and thus the increase in the Servicing Annual Cap) were in the interests of the Company and the shareholders of the Company as a whole.

As all of the percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the supplemental deed are less than 5% and the aggregated annual caps will be less than HK\$3,000,000, the transactions contemplated under the supplemental deed are exempted from reporting, annual review and announcement, and independent shareholders' approval requirements under Chapter 19 and 20 of the GEM Listing Rules.

The Financing Annual Caps, being the aggregated amounts of the Non-IPO Financing Annual Caps and IPO Financing Annual Caps, have been determined with reference to:

- (i) the investment style and financial status of Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group;
- (ii) the expected share trading volume and IPO subscription amount of Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group for the Non-IPO Financing Annual Caps and IPO Financing Annual Caps respectively; and
- (iii) historical maximum daily outstanding amount of non-IPO financing and IPO financing for Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group.

## Report of the Directors

The Interest Annual Caps for each of the three years ending 31 December 2023 have been determined with reference to (i) the expected average interest rates charged for non-IPO financing and IPO financing; and (ii) each of the corresponding Financing Annual Caps for Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group.

The Brokerage Annual Caps for each of the three years ending 31 December 2023 have been determined with reference to the expected share trading volume based on historical trading records and the expected brokerage commission fees to be generated from the provision of securities brokerage services to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group.

The Servicing Annual Caps for each of the three years ending 31 December 2023, being the aggregated amounts of the Interest Annual Caps and Brokerage Annual Caps, have been determined with reference to: (i) the expected share trading volume based on historical trading records and the expected brokerage commission fees to be generated from the provision of securities brokerage services to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group; (ii) the expected average interest rates charged for IPO financing and non-IPO financing; and (iii) each of the corresponding Financing Annual Caps with Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group.

### *Historical transactions amount under the Brokerage and Financing Services Agreements*

The following financing services as stipulated in the Brokerage and Financing Services Agreements, which constitute non-exempt continuing connected transactions (other than the continuing connected transactions with 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.

## Report of the Directors

Details on the Brokerage and Financing Services Agreements, the maximum daily outstanding amounts of non-IPO financing and IPO financing provided to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group, and the historical amount of interest charges in respect of non-IPO financing and IPO financing to Ms. Kou's Group, Mr. Chan's Mr. Ko's Group and Mr. Chiu's Group for the year ended 31 December 2023 were as following:

Nature of transaction	Pricing policy	(1) Date of agreement (2) Terms	Maximum daily outstanding amounts of non-IPO financing and IPO financing for the year ended 31 December 2023	Historical amount of interest charges in respect of non-IPO financing and IPO financing for the year ended 31 December 2023
Provision of financing services to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group	(1) Non-IPO financing services: 8.875% – 9.125% per annum  (2) IPO financing services: 0.8% to 2.68% mark up on top of the interest rate quoted from borrowing banks of the Group	(1) 5 November 2020	<b>Ms. Kou's Group</b> <i>Non-IPO Financing:</i> HK\$17,573,561.89	<b>Ms. Kou's Group</b> HK\$1,474,534.90
		(2) 1 January 2021 to 31 December 2023 (can be terminated by either party with seven days prior written notice)	<i>IPO Financing:</i> Nil	<b>Mr. Chan's Group</b> HK\$509,521.24
			<b>Mr. Chan's Group</b> <i>Non-IPO Financing:</i> HK\$5,589,554.43	<b>Mr. Ko's Group</b> HK\$565,067.34
			<i>IPO Financing:</i> Nil	<b>Mr. Chiu's Group</b> Nil
			<b>Mr. Ko's Group</b> <i>Non-IPO Financing:</i> HK\$6,070,248.05	
			<i>IPO Financing:</i> HK\$37,453.95	
			<b>Mr. Chiu's Group</b> <i>Non-IPO Financing:</i> Nil	
			<i>IPO Financing:</i> Nil	

## Report of the Directors

Details on the Brokerage and Financing Services Agreements, (which are exempted from the annual review requirement under Chapter 20 of the GEM Listing Rules) and the historical amount of securities brokerage services fees in respect of the securities brokerage services received from Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group the for the year ended 31 December 2023 were as following:

Nature of transaction	Pricing policy	(1) Date of agreement (2) Terms	Historical amount of securities brokerage services fees in respect of the securities brokerage services for the year ended 31 December 2023
Securities brokerage services fees in respect of the securities brokerage services provided by Victory Securities (HK) to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group	Commission rate on normal commercial terms of 0.1% to 0.25%	(1) 5 November 2020	Ms. Kou's Group HK\$3,702.82
		(2) 1 January 2021 to 31 December 2023 (can be terminated by either party with seven days prior written notice)	Mr. Chan's Group HK\$18,962.31
			Mr. Ko's Group HK\$44,223.18
			Mr. Chiu's Group HK\$4,654.25

Details of the Brokerage and Financing Services Agreements were disclosed in the announcement of the Company dated 5 November 2020 and in the circular of the Company dated 4 December 2020. The Brokerage and Financing Services Agreements for Ms. Kou's Group and Mr. Chan's Group were approved, confirmed and ratified by the independent Shareholders on 28 December 2020.

### *New Brokerage Service Agreements and Financing Service Agreements*

As the Financing Service Agreements and Brokerage Service Agreements expired on 31 December 2023, Victory Securities (HK) separately entered into new Brokerage Service Agreements (the "Brokerage Service Agreements") and Financing Service Agreements (the "Financing Service Agreements") with (i) Ms. Kou; (ii) Mr. Chan; (iii) Mr. Ko; and (iv) Mr. Chiu on 10 October 2023 for a term of three years from 1 January 2024 to 31 December 2026.

Pursuant to the Brokerage Service Agreements and Financing Service Agreements, the Group will continue to provide securities brokerage services and financing services to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group,



## Report of the Directors

### *Annual caps amount under the Brokerage Service Agreements and Financing Service Agreements*

The annual caps amount of the transactions under the Brokerage Service Agreements and Financing Service Agreement for each of the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024 HK\$	2025 HK\$	2026 HK\$
<b>Ms. Kou's Group</b>			
Non-IPO Financing Annual Caps	19,300,000	20,200,000	21,200,000
IPO Financing Annual Caps	6,600,000	7,000,000	7,300,000
Financing Annual Caps	25,900,000	27,200,000	28,500,000
Interest Annual Caps	2,400,000	2,500,000	2,600,000
Brokerage Annual Caps	216,000	227,000	238,000
<b>Mr. Chan's Group</b>			
Non-IPO Financing Annual Caps	6,100,000	6,400,000	6,700,000
IPO Financing Annual Caps	1,100,000	1,200,000	1,300,000
Financing Annual Caps	7,200,000	7,600,000	8,000,000
Interest Annual Caps	700,000	800,000	800,000
Brokerage Annual Caps	151,000	159,000	167,000
<b>Mr. Ko's Group</b>			
Non-IPO Financing Annual Caps	6,700,000	7,100,000	7,400,000
IPO Financing Annual Caps	1,500,000	1,500,000	1,600,000
Financing Annual Caps	8,200,000	8,600,000	9,000,000
Interest Annual Caps	800,000	900,000	900,000
Brokerage Annual Caps	330,000	330,000	330,000
<b>Mr. Chiu's Group</b>			
Non-IPO Financing Annual Caps	25,000	26,000	27,000
IPO Financing Annual Caps	247,000	254,000	262,000
Financing Annual Caps	272,000	280,000	289,000
Interest Annual Caps	15,000	16,000	17,000
Brokerage Annual Caps	15,000	16,000	17,000

The basis of determination for the brokerage annual caps as stipulated under the Brokerage Service Agreements for Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group are the same as the Brokerage and Financing Services Agreements which were expired on 31 December 2023.

The basis of determination for the financing annual caps and interest annual caps for Mr. Chiu's Group as stipulated under the Financing Service Agreements with Mr. Chiu is the same as those stipulated in the Financing Service Agreements concluded with other connected parties.

## Report of the Directors

The basis of determination for the financing annual caps and interest annual caps as stipulated under the Financing Service Agreements for Ms. Kou's Group, Mr. Chan's Group and Mr. Ko's Group, as well as other details of the Financing Services Agreements were disclosed in the announcement of the Company dated 10 October 2023 and 17 October 2023 and in the circular of the Company dated 31 October 2023. The Financing Services Agreements for Ms. Kou's Group and Mr. Chan's Group were approved, confirmed and ratified by the independent Shareholders on 30 November 2023.

### (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 5 November 2020, 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 January 2021 up to 31 December 2023.

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. The Asset Management Agreement was entered into to facilitate, among other things, the continuing provision of asset management services by the Group to Victory Global Trustee.

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 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.

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.

## Report of the Directors

The annual caps for the aggregate of performance fee and management fee (the “**Asset Management Annual Caps**”) for each of the years ending 31 December 2023 are HK\$4.0 million, HK\$4.8 million and HK\$5.6 million, respectively. The amount paid by Victory Global Trustee for the year ended 31 December 2023 was HK\$2,419,485.64.

The Asset Management Annual Caps for each of the three years ending 31 December 2023 have been determined with reference to: (i) the amount of assets managed by Victory Securities (HK) of approximately HK\$298.8 million and HK\$312.8 million as at 31 December 2019 and 30 September 2020, respectively; and (ii) the expected market sentiments of the securities market in Hong Kong.

Details of the Asset Management Agreement were disclosed in the announcement of the Company dated 5 November 2020.

### *New Asset Management Agreement*

As the Asset Management Agreement expired on 31 December 2023, Victory Securities (HK) entered into a new Asset Management Agreement (the “**New Asset Management Agreement**”) with Victory Global Trustee on 10 October 2023 to continue the provision of asset management services to Victory Global Trustee for a term of three years from 1 January 2024 to 31 December 2026.

The Asset Management Annual Caps for each of the years ending 31 December 2024, 2025 and 2026 are HK\$2.60 million, HK\$3.10 million and HK\$3.80 million, respectively.

The basis of determination for the annual caps as stipulated under the New Asset Management Agreement as well as other details of the New Asset Management Agreement were disclosed in the announcement of the Company dated 10 October 2023 and 17 October 2023.

The auditor of the Company has provided a letter to the Board 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 2023 and confirmed that (i) they have been entered into in the ordinary and usual course of business of the Group; (ii) are on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## 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 37 to the consolidated financial statements, the brokerage 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.

# Report of the Directors

## 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 2023.

## 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.

## 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 44 to 61 of this annual report.

# Report of the Directors

## 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 2023 and up to the date of this report).

## DONATIONS

During the year ended 31 December 2023, the Group made charitable donations amounting to HK\$33,450.

## 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 auditor of the Company.

On behalf of the Board

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

Hong Kong, 14 March 2024

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
27/F, One Taikoo Place  
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Quarry Bay, Hong Kong

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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 91 to 187, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 (“HSAs”) 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 2023, the gross margin client and cash client receivables amounted to HK\$139,380,062 and HK\$53,145,479, respectively. Their related expected credit loss allowances amounted to HK\$39,348,333 and HK\$1,457,039, respectively.

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 involved, including determination of significant increase in credit risk, 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 expected credit loss allowances are included in notes 2.4, 3(b), 21(f) and 38(b)(ii) to the consolidated financial statements.

Our procedures to address the key audit matter included, amongst others:

- We obtained an understanding of the Group's credit risk management practices, including the Group's impairment provisioning policy;
- We assessed the Group's determination of significant increases in credit risk and testing the application of staging classification in the model by assessing historical information such as number of overdue days, margin call history and loan-to-value ratio;
- For margin client and cash client receivables classified as stage 1 and 2, we assessed the expected credit loss allowances made by the Group by checking the parameters to external data sources on a sample basis, 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 expected credit loss allowances made by the Group, we
  - checked to quoted market price and evaluated the applied forward-looking adjustments for the valuation of the collateral;
  - obtained and evaluated management analysis used in estimating the other sources of cashflows and assessed the reasonableness and appropriateness of management's key assumptions;
- We tested the mathematical accuracy of the calculations of expected credit loss allowance; and
- We also evaluated the adequacy of financial statement disclosures relating to expected credit losses on margin client and cash client receivables.



# 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 HKSAAs 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, actions taken to eliminate threats or safeguards applied.

## 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 Chu Shiu Ting, Adrian David.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong  
14 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
<b>REVENUE</b>	5		
Revenue from contracts with customers		29,255,693	50,737,481
Revenue from other sources		25,710,391	26,369,694
		54,966,084	77,107,175
Other income and gains/(losses), net	6	1,340,462	(2,550,299)
		56,306,546	74,556,876
Commission expenses		(4,687,531)	(9,330,294)
Depreciation and amortisation		(5,222,799)	(5,421,589)
Staff costs	7	(31,227,932)	(32,722,967)
Other operating expenses		(28,139,915)	(18,672,965)
Charge for allowance for expected credit losses on accounts receivable, net		(8,805,879)	(23,699,287)
Share-based payment expenses		(921,890)	(2,420,038)
Finance costs	9	(6,471,128)	(5,131,958)
Share of losses of:			
A joint venture		(60)	(2,700,000)
Associates		(201,649)	(766,988)
<b>LOSS BEFORE TAX</b>	8	(29,372,237)	(26,309,210)
Income tax credit	12	4,292,563	2,065,204
<b>LOSS FOR THE YEAR</b>		(25,079,674)	(24,244,006)
Attributable to:			
Owners of the parent		(24,969,812)	(24,162,432)
Non-controlling interests		(109,862)	(81,574)
		(25,079,674)	(24,244,006)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (in HK cents)	14	(13.45)	(13.02)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
<b>LOSS FOR THE YEAR</b>		<b>(25,079,674)</b>	<b>(24,244,006)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		(159,301)	(873,337)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on revaluation of land and buildings held for own use			
– gross gain	15	1,548,755	651,127
– income tax effect	30	(255,545)	(107,435)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>		<b>1,133,909</b>	<b>(329,645)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(23,945,765)</b>	<b>(24,573,651)</b>
Attributable to:			
Owners of the parent		(23,821,714)	(24,474,343)
Non-controlling interests		(124,051)	(99,308)
		<b>(23,945,765)</b>	<b>(24,573,651)</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK\$	2022 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	53,769,351	55,644,764
Investment property	16	9,081,600	10,400,000
Intangible assets	18	272,765	266,081
Investments in a joint venture	19	–	60
Investments in associates	19	2,047,879	1,624,619
Financial assets at fair value through profit or loss	23	4,224,048	4,051,692
Deferred tax assets	30	–	2,252,687
Other assets	20	475,000	553,944
<b>Total non-current assets</b>		<b>69,870,643</b>	<b>74,793,847</b>
<b>CURRENT ASSETS</b>			
Accounts receivable	21	189,743,326	238,928,362
Prepayments and other receivables	22	10,702,380	10,951,909
Financial assets at fair value through profit or loss	23	5,888,966	8,454,929
Tax recoverable		875,711	875,711
Pledged deposits	24	4,213,523	4,041,942
Cash and cash equivalents	24	19,459,659	27,373,963
<b>Total current assets</b>		<b>230,883,565</b>	<b>290,626,816</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	25	29,814,755	20,082,232
Other payables and accruals	26	5,052,014	10,071,303
Interest-bearing bank and other borrowings	27	92,798,487	127,654,000
Lease liabilities	17(b)	1,912,275	1,681,401
Provisions and other financial liabilities	28	4,523,385	4,791,095
Bonds issued	29	1,079,235	–
<b>Total current liabilities</b>		<b>135,180,151</b>	<b>164,280,031</b>
<b>NET CURRENT ASSETS</b>		<b>95,703,414</b>	<b>126,346,785</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>165,574,057</b>	<b>201,140,632</b>

# Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 HK\$	2022 HK\$
<b>NON-CURRENT LIABILITIES</b>			
Bonds issued	29	–	2,573,287
Lease liabilities	17(b)	405,479	1,248,175
Deferred tax liabilities	30	2,065,638	8,355,343
<b>Total non-current liabilities</b>		<b>2,471,117</b>	<b>12,176,805</b>
<b>Net assets</b>		<b>163,102,940</b>	<b>188,963,827</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	31	2,003,658	2,000,418
Other reserves		161,001,773	186,913,431
		<b>163,005,431</b>	<b>188,913,849</b>
Non-controlling interests		97,509	49,978
<b>Total equity</b>		<b>163,102,940</b>	<b>188,963,827</b>

**Ms. KOU Kuen**  
*Executive Director*

**Mr. CHAN Pui Chuen**  
*Executive Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent											
	Notes	Share capital	Share premium	Property revaluation reserve	Share option reserve	Shares held under the share award scheme	Merger and other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2022		2,000,418	55,032,821	37,082,855	-	(18,476,800)	96,200,000	1,131,013	42,823,759	215,794,066	149,286	215,943,352
Loss for the year		-	-	-	-	-	-	-	(24,162,432)	(24,162,432)	(81,574)	(24,244,006)
Other comprehensive loss for the year:												
Change in fair value of land and buildings, net of tax		-	-	543,692	-	-	-	-	-	543,692	-	543,692
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(855,603)	-	(855,603)	(17,734)	(873,337)
Total comprehensive loss for the year		-	-	543,692	-	-	-	(855,603)	(24,162,432)	(24,474,343)	(99,308)	(24,573,651)
Equity-settled share option arrangements	32	-	-	-	2,420,038	-	-	-	-	2,420,038	-	2,420,038
Final dividend	13	-	-	-	-	-	-	-	(2,969,792)	(2,969,792)	-	(2,969,792)
Interim dividend	13	-	-	-	-	-	-	-	(1,856,120)	(1,856,120)	-	(1,856,120)
At 31 December 2022		2,000,418	55,032,821*	37,626,547*	2,420,038*	(18,476,800)*	96,200,000*	275,410*	13,835,415*	188,913,849	49,978	188,963,827
At 1 January 2023		2,000,418	55,032,821	37,626,547	2,420,038	(18,476,800)	96,200,000	275,410	13,835,415	188,913,849	49,978	188,963,827
Loss for the year		-	-	-	-	-	-	-	(24,969,812)	(24,969,812)	(109,862)	(25,079,674)
Other comprehensive loss for the year:												
Change in fair value of land and buildings, net of tax		-	-	1,293,210	-	-	-	-	-	1,293,210	-	1,293,210
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(145,112)	-	(145,112)	(14,189)	(159,301)
Total comprehensive loss for the year		-	-	1,293,210	-	-	-	(145,112)	(24,969,812)	(23,821,714)	(124,051)	(23,945,765)
Capital injection of a subsidiary		-	-	-	-	-	(38,314)	-	-	(38,314)	171,582	133,268
Issue of shares		3,240	738,720	-	-	-	-	-	-	741,960	-	741,960
Equity-settled share option arrangements	32	-	-	-	921,890	-	-	-	-	921,890	-	921,890
Final dividend	13	-	-	-	-	-	-	-	(2,227,344)	(2,227,344)	-	(2,227,344)
Interim dividend	13	-	-	-	-	-	-	-	(1,484,896)	(1,484,896)	-	(1,484,896)
At 31 December 2023		2,003,658	55,771,541*	38,919,757*	3,341,928*	(18,476,800)*	96,161,686*	130,298*	(14,846,637)*	163,005,431	97,509	163,102,940

\* These reserve accounts comprise the consolidated other reserves of HK\$161,001,773 (2022: HK\$186,913,431) in the consolidated statement of financial position.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(29,372,237)	(26,309,210)
Adjustments for:			
Share of losses of a joint venture and associates		201,709	3,466,988
Dividend income from listed investments	6	(130,809)	(136,350)
Fair value (gains)/losses on financial assets at fair value through profit or loss	6	(17,265)	4,092,570
Depreciation of property, plant and equipment	8	3,019,597	3,011,465
Changes in fair value of investment property	6	1,318,400	500,000
Depreciation of right-of-use assets	8	1,989,886	2,234,653
Amortisation	8	213,316	175,471
Interest expense on bank loans and overdrafts	9	5,722,412	4,363,952
Interest expense on bonds issued	9	86,084	257,945
Interest on lease liabilities	9	119,969	97,574
Loss on disposal of items of property, plant and equipment	6	–	10,680
Loss on lease modification		–	57,271
Losses on derivative financial instruments	5	201,419	2,692,995
Charge for allowance for expected credit losses on accounts receivable, net	8	8,805,879	23,699,287
Equity-settled share option expense	8, 32	921,890	2,420,038
		(6,919,750)	20,635,329
Decrease in other assets		78,944	107,891
Decrease in accounts receivable		40,379,157	117,450,482
Decrease/(increase) in prepayments and other receivables		249,529	(2,491,607)
Increase/(decrease) in accounts payable		9,732,523	(30,190,216)
(Decrease)/increase in other payables and accruals		(5,019,289)	4,086,503
Decrease in provisions		(469,129)	(562,396)
Cash generated from operations		38,031,985	109,035,986
Interest elements of lease payments		(119,969)	(97,574)
Hong Kong profits tax paid		–	(765,624)
Net cash from operating activities		37,912,016	108,172,788
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment	15	(164,989)	(993,544)
Proceeds from disposal of items of property, plant and equipment		–	82,000
Purchase of an intangible asset	18	(220,000)	(220,000)
Purchase of financial assets at fair value through profit or loss		(3,084,468)	(36,580,821)
Proceeds from disposal of financial assets at fair value through profit or loss		5,495,340	33,536,077
Purchase of an interest in a partially owned subsidiary		(38,314)	–
Purchase of an interest in a joint venture		–	(2,700,060)
Purchase of shares in an associate		(575,500)	(345,300)
Dividend received		130,809	136,350
Net cash from/(used in) investing activities		1,542,878	(7,085,298)

# Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	31	741,960	–
Interest paid		(5,722,412)	(4,363,952)
New bank borrowings		426,500,000	675,000,000
Repayment of bank borrowings		(468,000,000)	(752,500,000)
Repayment of non-convertible bonds		(1,580,136)	(4,400,000)
Proceeds from issue of non-convertible bonds		–	2,500,000
Capital contribution from non-controlling interest		171,582	–
Principal portion of lease payments	36b	(2,031,095)	(2,166,218)
Dividend paid	13	(3,712,240)	(4,825,912)
<b>Net cash used in financing activities</b>		<b>(53,632,341)</b>	<b>(90,756,082)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(14,177,447)</b>	10,331,408
Cash and cash equivalents at beginning of year		31,415,905	21,932,054
Effect of foreign exchange rate changes, net		(209,763)	(847,557)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>17,028,695</b>	<b>31,415,905</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the statement of financial position	24	19,459,659	27,373,963
Time deposit with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	24	4,213,523	4,041,942
Bank overdrafts	27	(6,644,487)	–
<b>Cash and cash equivalents as stated in the statement of cash flows</b>		<b>17,028,695</b>	<b>31,415,905</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>			
Interest received		25,911,810	29,062,689
Interest paid	9	542,663	412,487

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 22 August 2016. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350 Grand Cayman, KY1-1108, Cayman Islands.

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

One of the subsidiary is a licensed corporation under the Hong Kong Securities and Futures Ordinance (the "SFO") to carry out business of dealing in securities (Type 1), dealing in futures contracts (Type 2), advising on securities (Type 4) and asset management (Type 9). The subsidiary is also a participant of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Securities and Futures Commission of Hong Kong ("SFC") has agreed to the provision of (i) virtual asset dealing services under an omnibus account arrangement; (ii) virtual asset dealing services by way of introducing eligible clients to licensed virtual asset platforms for direct trading; (iii) market and distribute of virtual asset-related private funds to eligible clients; (iv) securities brokerage services to eligible clients with respect to virtual asset-related exchange traded funds (including exchange-traded virtual asset derivative funds); and (v) virtual asset advisory services by one of the subsidiaries of the Company, with licensing conditions imposed on the license of the subsidiary by the SFC on 10 October 2022.

The subsidiary has also secured consent from the SFC to manage portfolios that invest in virtual assets, subject to compliance with the SFC's "Proforma Terms and Conditions for Licensed Corporations which Manage Portfolios that Invest in Virtual Assets" on 21 March 2023.

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; and (iii) shall not act as a sponsor in respect of an application for the listing on a recognised stock market of any securities.

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

# Notes to Financial Statements

31 December 2023

## 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 below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Victory Securities Holding Limited	British Virgin Islands/ Hong Kong	US\$50,000	100%	–	Investment holding
Victory Securities Company Limited ("Victory Securities (HK)")	Hong Kong	HK\$145,000,000	–	100%	Securities/futures broking and placing and underwriting services, advising on securities services, financing services, asset management services and investment consultancy services
Victory Insurance Consultants Limited	Hong Kong	HK\$1,000,000	–	100%	Provision of insurance consultancy services
Victory Premier SPC	Cayman Islands	US\$50,000	–	100%	Inactive
VSAM Company Limited	Hong Kong	HK\$1,000,000	–	100%	Inactive
VS Capital Limited	Hong Kong	HK\$8,000,000 (2022: HK\$5,000,000)	–	100%	Provision of financial advisory services
深圳市勝利私募證券投資 基金管理有限公司	Shenzhen, People's Republic of China	RMB50,000,000	–	100%	Provision of asset management services
Victory Spectacular Fund SPC	Cayman Islands	US\$0.01	–	100%	Inactive
Victory Asset Management Japan Limited	Japan	JPY50,000,000 (2022: JPY20,000,000)	–	89.5% (2022: 85%)	Provision of asset management services
Victory Privilege Fund OFC	Hong Kong	HK\$10	–	100%	Provision of asset management services

# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES

### 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”) 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 and liabilities at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest dollar except when otherwise indicated.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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.

## 2. ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and exchange fluctuation reserve; and recognizes the fair value of any investment retained and 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.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.2 Changes in accounting policies and disclosures (Continued)

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments had no impact on the Group's financial statements.

The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## 2. ACCOUNTING POLICIES (Continued)

### 2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>1</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> <sup>1,4</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> <sup>1,4</sup>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> <sup>1</sup>
Amendments to HKAS 21	<i>Lack of Exchangeability</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

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

<sup>4</sup> As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 resulting from a downstream transaction when the sale or contribution of assets 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 was removed by the HKICPA. However, the amendments are available for adoption now.



# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e. 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material accounting policies

#### *Investments in associates and joint ventures*

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material accounting policies (Continued)

#### *Fair value measurement*

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

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

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

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

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

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

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.4 Material accounting policies *(Continued)*

#### *Impairment of non-financial assets*

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

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g. a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

#### *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

# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.4 Material accounting policies *(Continued)*

#### *Related parties (Continued)*

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

#### *Property, plant and equipment and depreciation*

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

Land held for own use under operating leases and buildings thereon, where the fair value of the leasehold interest in the land and buildings cannot be measured separately at inception of the lease, are accounted for as being held under a finance lease, unless the buildings are also clearly held under an operating lease. For these purposes, inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. The leasehold land and buildings are stated on the consolidated statements of financial position at their fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed by independent qualified valuers quarterly, 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.

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material accounting policies (Continued)

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

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 buildings 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.

#### *Investment properties*

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. 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.

# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material accounting policies (Continued)

#### *Investment properties (Continued)*

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 or at the cash-generating unit level. 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*

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.

#### (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. Right-of-use assets are depreciated on a straight-line basis over the lease terms of the assets.

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'.

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.4 Material accounting policies *(Continued)*

#### *Leases (Continued)*

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

#### (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 lease. 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.

#### (c) Short-term leases

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). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

##### *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.



# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material accounting policies (Continued)

#### *Leases (Continued)*

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

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.

#### *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.

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

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.4 Material 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 the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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.

##### *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.

# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.4 Material accounting policies *(Continued)*

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

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

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

#### *Impairment of financial assets*

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. The Group's margin client and cash client receivables are secured on the customers' underlying investment portfolio. In estimating ECL the Group considers the expected cash flows upon realization of the collateral (taking into account the volatility of the fair value of the collateral), and other credit enhancements, as these are integral to the contractual terms of the financial instrument.

#### *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 recognised 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. Indicators, which the Group considers holistically, that there is potential a significant increase in credit risk include, but are not limited to: significant decreases in the value of underlying stock; adverse changes in the loan-to-collateral value ("LTV") of the customers accounts; and, inability of the customer to meet margin calls.

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material accounting policies (Continued)

#### Impairment of financial assets (Continued)

##### General approach (Continued)

The Group typically 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 irrespective of the days past due status. If the Group has objective evidence that the expected contractual cash flows of the financial asset are not significantly impacted a financial asset may not be considered credit impaired even when contractual payments are 90 days past due or greater.

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

##### 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.

# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material accounting policies (Continued)

#### *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, bonds issued, 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, derivative financial instruments, interest-bearing bank and other borrowings and bonds issued.

##### *Subsequent measurement*

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

##### *Financial liabilities at amortised cost (trade and other payables, and borrowings)*

After initial recognition, trade and other payables, and interest-bearing 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.

##### *Bonds issued*

The non-convertible bonds are recognised as financial liabilities in the statement of financial position, net of transaction costs. On issuance of non-convertible bonds, the fair value is determined using a market rate; and they are subsequently carried as a liability and measured at amortised cost using the effective interest rate method until redemption.

##### *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.

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.4 Material 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*

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

#### *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.

# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.4 Material accounting policies *(Continued)*

#### *Income tax (Continued)*

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, 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 carryforward 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, and the carryforward 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 does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, 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.

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material accounting policies (Continued)

#### *Income tax (Continued)*

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.

#### *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

#### *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.

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 consumes the benefits provided by the Group when the relevant services are rendered.

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

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



# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.4 Material accounting policies *(Continued)*

#### *Revenue recognition (Continued)*

##### 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.

##### 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 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).

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.4 Material accounting policies *(Continued)*

#### *Share-based payments*

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“**equity-settled transactions**”). The cost of equity-settled transactions with employees 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 32 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.

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.

# Notes to Financial Statements

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material accounting policies (Continued)

#### *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.

#### *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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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.

## 2. ACCOUNTING POLICIES *(Continued)*

### 2.4 Material accounting policies *(Continued)*

#### *Foreign currencies (Continued)*

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### *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.

#### **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.

# Notes to Financial Statements

31 December 2023

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

### Estimation uncertainty *(Continued)*

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

An investment property and leasehold land and buildings are carried in the consolidated 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 consolidated 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 ECLs on margin client and cash client receivables*

In order to estimate the ECL allowance for margin client receivables, the Group forecasts the potential shortfall amount (i.e. the forecast potential difference between the amounts owed to the Group and the value of the underlying stock collateral). The forecast of potential shortfall takes into account expected future collateral prices (estimated based on observed historical stock price volatilities adjusted to reflect current conditions and forecasts of future economic conditions) and failure to meet margin call requirements given the contractual termination periods.

In order to estimate the ECL allowance for cash client receivables the Group first assigns an internal credit rating to each exposure based upon an assessment of overdue days and the valuation of collateral held (the LTV). The ECL allowance is calculated by applying a loss rate to each cash client receivable exposure. Loss rates for the internal credit rating are estimated by reference to the published default rates from international credit rating agencies, with adjustments to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The amount of ECL, for credit impaired exposures, is measured as the difference between the contractual cash flows that are due to the Group and the probability-weighted present value of the cash flows that the Group expects to receive. In order to estimate the expected value of the cash flows which the Group expects to receive, the Group considers various scenarios for collateral realization, including applying haircuts as appropriate, and other sources of repayment from the counterparty.

As at 31 December 2023, allowance for ECLs of HK\$40,805,372 (2022: HK\$31,999,493) has been made against margin client and cash client receivables. Further details are set out in note 21(f) to the consolidated financial statements. No ECLs allowances have been provided for financial assets other than the margin client and cash client receivables as the related ECLs allowances were immaterial.

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

#### Estimation uncertainty *(Continued)*

##### *(c) 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/futures broking services segment comprises the provision of broking services in securities and futures 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 loss before tax except that unallocated other income and gains/losses as well as corporate expenses are excluded from such measurement.

# Notes to Financial Statements

31 December 2023

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

Intersegment services are transacted with reference to the selling prices used for services made to third parties at the then prevailing market prices.

Year ended 31 December 2023

	Securities/ futures broking services HK\$	Financing services HK\$	Asset management services HK\$	Insurance consultancy services HK\$	Financial advisory services HK\$	Total HK\$
Segment revenue (note 5)	25,865,466	19,859,883	7,258,933	1,776,481	205,321	54,966,084
Segment results	11,510,113	4,702,845	(6,026,306)	231,676	(2,239,591)	8,178,737
<i>Reconciliation:</i>						
Other income and gains/(losses), net						1,340,462
Corporate and other unallocated expenses						(38,891,436)
Loss before tax						(29,372,237)
<b>Other segment information:</b>						
Interest income from clients	-	19,859,883	-	-	-	19,859,883
Finance costs (other than interest on lease liabilities)	-	(6,351,159)	-	-	-	(6,351,159)
Commission expenses	(3,440,461)	-	-	(1,247,070)	-	(4,687,531)
Charge for allowance for ECLs on accounts receivable, net	-	(8,805,879)	-	-	-	(8,805,879)

The depreciation and amortisation for the year ended 31 December 2023 of HK\$5,009,483 (2022: HK\$5,246,118) and HK\$213,316 (2022: HK\$175,471), respectively, are included in the unallocated expenses.

# Notes to Financial Statements

31 December 2023

## 4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2022

	Securities/ futures broking services HK\$	Financing services HK\$	Asset management services HK\$	Insurance consultancy services HK\$	Financial advisory services HK\$	Total HK\$
Segment revenue (note 5)	42,804,397	27,005,131	6,695,524	602,123	-	77,107,175
Segment results	21,353,651	(1,728,541)	2,688,368	(495,278)	(2,057,287)	19,760,913
<i>Reconciliation:</i>						
Other income and gains/(losses), net						(2,550,299)
Corporate and other unallocated expenses						(43,519,824)
Loss before tax						(26,309,210)
<i>Other segment information:</i>						
Interest income from clients	-	27,005,131	-	-	-	27,005,131
Finance costs (other than interest on lease liabilities)	-	(5,034,384)	-	-	-	(5,034,384)
Commission expenses	(8,928,840)	-	-	(401,454)	-	(9,330,294)
Charge for allowance for ECLs on accounts receivable, net	-	(23,699,287)	-	-	-	(23,699,287)

### 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.

### Information about major customers

There was no customer from which the revenue amounted to over 10% of the total revenue of the Group during the years ended 31 December 2023. During the year ended 31 December 2022, revenue from major customers contributing over 10% of the total revenue of the Group are as follows:

	2022 HK\$
Customer A	8,799,964



# Notes to Financial Statements

31 December 2023

## 5. REVENUE

An analysis of revenue is as follows:

	2023 HK\$	2022 HK\$
<i>Revenue from contracts with customers</i>	29,255,693	50,737,481
<i>Revenue from other sources</i>		
Losses on derivative financial instruments	(201,419)	(2,692,995)
Interest income calculated using the effective interest method from:		
– clients	19,859,883	27,005,131
– authorised institutions	5,705,910	1,857,398
– others	346,017	200,160
Sub-total of revenue from other sources	25,710,391	26,369,694
Total revenue	54,966,084	77,107,175

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

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

	2023 HK\$	2022 HK\$
Commission and brokerage income	13,972,638	25,357,629
Placing and underwriting commission income	1,581,786	10,385,783
Income from advising on securities	837,000	97,000
Handling fee income	3,422,115	4,721,427
Asset management fee	7,460,352	9,388,519
Financial advisory fee	205,321	–
Service fee income from arrangement on share option scheme	–	185,000
Insurance consultancy fee	1,776,481	602,123
Total revenue from contracts with customers	29,255,693	50,737,481

For the year ended 31 December 2023, revenue recognised at the point in time and over time are HK\$21,795,341 (2022: HK\$41,163,962) and HK\$7,460,352 (2022: HK\$9,573,519) respectively.

# Notes to Financial Statements

31 December 2023

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

	Note	2023 HK\$	2022 HK\$
<b>Other income</b>			
Government grant*		1,700,454	1,162,101
Gross rental income		474,000	464,000
Sundry income		336,334	290,500
		<b>2,510,788</b>	<b>1,916,601</b>
<b>Trading gains/(losses), net</b>			
Fair value gains/(losses) on financial assets at fair value through profit or loss		17,265	(4,092,570)
Dividend income from financial assets at fair value through profit or loss		130,809	136,350
		<b>148,074</b>	<b>(3,956,220)</b>
<b>Other losses, net</b>			
Fair value loss on investment property	16	(1,318,400)	(500,000)
Loss on disposal of items of property, plant and equipment		–	(10,680)
		<b>(1,318,400)</b>	<b>(510,680)</b>
		<b>1,340,462</b>	<b>(2,550,299)</b>

\* During the year 2023, the government subsidy was granted under the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone for supporting financial industry development in Qianhai. There are no unfulfilled conditions or contingencies relating to these grants.

During the year 2022, the government subsidy was granted under the Employment Support Scheme and the Financial Industry Recruitment Scheme for Tomorrow. There are no unfulfilled conditions or contingencies relating to these grants.

## 7. STAFF COSTS

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

	2023 HK\$	2022 HK\$
Salaries, allowances and benefits in kind	30,217,238	31,687,420
Contributions to Mandatory Provident Fund and Occupational Retirement Schemes	1,010,694	1,035,547
	<b>31,227,932</b>	<b>32,722,967</b>

# Notes to Financial Statements

31 December 2023

## 8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2023 HK\$	2022 HK\$
Auditor's remuneration		1,122,358	844,665
Amortisation	18	213,316	175,471
Depreciation of property, plant and equipment	15	3,019,597	3,011,465
Depreciation of right-of-use assets	17(a)	1,989,886	2,234,653
Direct operating expenses arising from rental-earning investment property		9,331	9,791
Exchange and clearing fee		903,824	1,076,822
Foreign exchange differences, net		52,216	444,030
Information service expenses		2,263,958	2,416,388
Lease payments not included in the measurement of lease liabilities	17(c)	203,494	213,959
Loss on disposal of items of property, plant and equipment		–	10,680
Charge for allowance for ECLs on accounts receivable, net	21	8,805,879	23,699,287
Share-based payment expenses	32	921,890	2,420,038
Discretionary payments*		6,907,424	–

\* During the year 2023, the Group made discretionary payments at a total amount of HK\$6.91 million to certain unitholders of a fund managed by the Group. The payment is discretionary in nature made with reference to the fund's performance as approved by the Group management and was paid to the unitholders via the trustee, which is a related party of the Group.

## 9. FINANCE COSTS

An analysis of finance costs is as follows:

	Notes	2023 HK\$	2022 HK\$
Interest on bank loans, overdrafts and other loans		5,722,412	4,363,952
Interest on bonds issued	29	86,084	257,945
Interest on client payables with no fixed repayment terms		542,663	412,487
Interest on lease liabilities	17(b)	119,969	97,574
Total interest expenses on financial liabilities not at fair value through profit or loss		6,471,128	5,131,958

# Notes to Financial Statements

31 December 2023

## 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:

	2023 HK\$	2022 HK\$
Fees	840,000	842,699
Other emoluments:		
Salaries, allowances and benefits in kind	2,632,413	2,645,452
Equity-settled share option expense	129,034	266,735
Contributions to retirement schemes	139,740	135,010
Commission expenses	192,781	180,021
	<b>3,933,968</b>	<b>4,069,917</b>

During the year, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of 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 directors' and chief executive's remuneration disclosures.

### (a) Independent non-executive Directors

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

	2023 HK\$	2022 HK\$
Mr. Liu Chun Ning Wilfred	180,000	181,839
Mr. Ying Wing Ho Peter	180,000	180,860
Dr. Yan Ka Shing (Note)	–	–
	<b>360,000</b>	<b>362,699</b>

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

# Notes to Financial Statements

31 December 2023

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

### (b) Executive Directors, a non-executive Director and the chief executive

	Fees HK\$	Salaries, allowances and benefits in kind HK\$	Equity-settled share option expense HK\$	Contributions to retirement schemes HK\$	Commission expenses HK\$	Total remuneration HK\$
<b>2023</b>						
<i>Executive Directors:</i>						
Ms. Kou Kuen ( <i>Chief Executive Officer</i> )	120,000	1,991,873	34,181	118,490	109,047	2,373,591
Mr. Chiu Che Leung, Stephen	120,000	-	34,181	-	1,515	155,696
Mr. Chan Pui Chuen	120,000	640,540	60,672	21,250	82,219	924,681
	360,000	2,632,413	129,034	139,740	192,781	3,453,968
<i>Non-executive Director:</i>						
Mr. Chan Ying Kit ( <i>Chairman</i> )	120,000	-	-	-	-	120,000
	120,000	-	-	-	-	120,000
	480,000	2,632,413	129,034	139,740	192,781	3,573,968
<b>2022</b>						
<i>Executive Directors:</i>						
Ms. Kou Kuen ( <i>Chief Executive Officer</i> )	120,000	1,664,540	70,658	113,760	135,078	2,104,036
Mr. Chiu Che Leung, Stephen	120,000	108,789	70,658	-	2,544	301,991
Mr. Chan Pui Chuen	120,000	872,123	125,419	21,250	42,399	1,181,191
	360,000	2,645,452	266,735	135,010	180,021	3,587,218
<i>Non-executive Director:</i>						
Mr. Chan Ying Kit ( <i>Chairman</i> )	120,000	-	-	-	-	120,000
	120,000	-	-	-	-	120,000
	480,000	2,645,452	266,735	135,010	180,021	3,707,218

# Notes to Financial Statements

31 December 2023

## 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 2023 and 2022, there was no arrangement under which a director waived or agreed to waive any remuneration.

During the years ended 31 December 2023 and 2022, 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 one Director (2022: one Director), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 HK\$	2022 HK\$
Salaries, allowances and benefits in kind	5,173,043	5,313,040
Equity-settled share option expense	88,173	315,067
Contributions to retirement schemes	72,000	63,000
	<b>5,333,216</b>	<b>5,691,107</b>

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

	2023 HK\$	2022 HK\$
HK\$1,000,001 to HK\$1,500,000	4	3
HK\$1,500,001 to HK\$2,000,000	-	1
	<b>4</b>	<b>4</b>

During the year and in prior years, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 32 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of 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 non-director and non-chief executive highest paid employees' remuneration 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 2023 and 2022.

# Notes to Financial Statements

31 December 2023

## 12. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

	Note	2023 HK\$	2022 HK\$
Current tax:			
Underprovision in prior years		–	17,356
Deferred tax	30	(4,292,563)	(2,082,560)
<b>Total tax credit for the year</b>		<b>(4,292,563)</b>	<b>(2,065,204)</b>

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

	2023 HK\$	2022 HK\$
Loss before tax	(29,372,237)	(26,309,210)
Tax at the statutory tax rate of 16.5%	(4,846,419)	(4,341,020)
Expenses not deductible for tax	2,919,700	3,340,589
Income not subject to tax	(2,399,064)	(1,654,182)
Profits and losses attributable to associates and joint venture	33,282	572,053
Underprovision for profits tax in prior years	–	17,356
Others	(62)	–
<b>Tax credit for the year with effective rate of 14.6% (2022: 7.9%)</b>	<b>(4,292,563)</b>	<b>(2,065,204)</b>

# Notes to Financial Statements

31 December 2023

## 13. DIVIDENDS

	Notes	2023 HK\$	2022 HK\$
Interim dividend	a	1,600,336	2,000,420
Less: dividend for shares held under the Company's share award scheme		(115,440)	(144,300)
		1,484,896	1,856,120
Final dividend	b	2,400,504	3,200,672
Less: dividend for shares held under the Company's share award scheme		(173,160)	(230,880)
		2,227,344	2,969,792
Dividends declared and paid		3,712,240	4,825,912
Proposed final dividend	c	1,002,210	2,400,504
		4,714,450	7,226,416

### Notes:

- (a) At a meeting held on 3 August 2023, the board of Directors (the "Board") declared an interim dividend of HK0.80 cents (2022: HK1.00 cent) per share for the six months ended 30 June 2023, which was paid on 8 September 2023.
- (b) The final dividend for the year ended 31 December 2022 was approved at the annual general meeting of the Company held on 25 May 2023 and paid on 21 June 2023.
- (c) A final dividend of HK0.50 cents (2022: HK1.20 cents) per share for the year ended 31 December 2023 was recommended by the Board and subject to the approval of shareholders of the Company at the forthcoming annual general meeting.



# Notes to Financial Statements

31 December 2023

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

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

### (a) Basic loss per share

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 185,631,803 (2022: 185,612,000) in issue during the year which is after deducting the number of ordinary shares purchased under the share award scheme (note 33).

### (b) Diluted loss per share

The calculation of the diluted loss per share amounts is based on the loss 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 loss 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.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

# Notes to Financial Statements

31 December 2023

## 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\$	Right-of-use assets (note 17) HK\$	Total HK\$
<b>31 December 2023</b>								
At 1 January 2023:								
Cost or valuation	49,300,000	923,860	1,000,386	2,318,214	1,255,953	5,054,062	7,835,836	67,688,311
Accumulated depreciation	-	(577,702)	(960,600)	(1,607,361)	(1,088,845)	(2,747,603)	(5,061,436)	(12,043,547)
<b>Net carrying amount</b>	<b>49,300,000</b>	<b>346,158</b>	<b>39,786</b>	<b>710,853</b>	<b>167,108</b>	<b>2,306,459</b>	<b>2,774,400</b>	<b>55,644,764</b>
At 1 January 2023, net of accumulated depreciation	49,300,000	346,158	39,786	710,853	167,108	2,306,459	2,774,400	55,644,764
Additions	-	-	-	164,989	-	-	1,449,081	1,614,070
Depreciation provided during the year	(2,048,755)	(138,468)	(11,306)	(224,854)	(71,623)	(524,591)	(1,989,886)	(5,009,483)
Exchange realignment	-	-	-	-	-	(4,471)	(24,284)	(28,755)
Gain on revaluation	1,548,755	-	-	-	-	-	-	1,548,755
<b>At 31 December 2023, net of accumulated depreciation</b>	<b>48,800,000</b>	<b>207,690</b>	<b>28,480</b>	<b>650,988</b>	<b>95,485</b>	<b>1,777,397</b>	<b>2,209,311</b>	<b>53,769,351</b>
At 31 December 2023:								
Cost or valuation	48,800,000	923,860	1,000,386	2,483,203	1,255,953	5,054,062	9,284,917	68,802,381
Accumulated depreciation	-	(716,170)	(971,906)	(1,832,215)	(1,160,468)	(3,276,665)	(7,075,606)	(15,033,030)
<b>Net carrying amount</b>	<b>48,800,000</b>	<b>207,690</b>	<b>28,480</b>	<b>650,988</b>	<b>95,485</b>	<b>1,777,397</b>	<b>2,209,311</b>	<b>53,769,351</b>

# Notes to Financial Statements

31 December 2023

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

	Land and buildings held for own use HK\$	Motor vehicles HK\$	Office equipment HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Leasehold improvements HK\$	Right-of-use assets (note 17) HK\$	Total HK\$
<b>31 December 2022</b>								
At 1 January 2022:								
Cost or valuation	50,700,000	1,479,860	996,117	1,914,393	1,255,953	4,517,543	6,431,474	67,295,340
Accumulated depreciation	-	(902,554)	(948,326)	(1,445,841)	(1,007,805)	(2,182,810)	(2,357,326)	(8,844,662)
<b>Net carrying amount</b>	<b>50,700,000</b>	<b>577,306</b>	<b>47,791</b>	<b>468,552</b>	<b>248,148</b>	<b>2,334,733</b>	<b>4,074,148</b>	<b>58,450,678</b>
At 1 January 2022, net of								
accumulated depreciation	50,700,000	577,306	47,791	468,552	248,148	2,334,733	4,074,148	58,450,678
Additions	-	-	4,269	452,756	-	536,519	1,404,362	2,397,906
Disposal	-	(92,680)	-	-	-	-	-	(92,680)
Depreciation provided during the year	(2,051,127)	(138,468)	(12,274)	(210,455)	(81,040)	(518,101)	(2,234,653)	(5,246,118)
Revision of a lease term arising from a change in the period of a lease	-	-	-	-	-	-	(234,307)	(234,307)
Exchange realignment	-	-	-	-	-	(46,692)	(235,150)	(281,842)
Gain on revaluation	651,127	-	-	-	-	-	-	651,127
<b>At 31 December 2022, net of accumulated depreciation</b>	<b>49,300,000</b>	<b>346,158</b>	<b>39,786</b>	<b>710,853</b>	<b>167,108</b>	<b>2,306,459</b>	<b>2,774,400</b>	<b>55,644,764</b>
At 31 December 2022:								
Cost or valuation	49,300,000	923,860	1,000,386	2,318,214	1,255,953	5,054,062	7,835,836	67,688,311
Accumulated depreciation	-	(577,702)	(960,600)	(1,607,361)	(1,088,845)	(2,747,603)	(5,061,436)	(12,043,547)
<b>Net carrying amount</b>	<b>49,300,000</b>	<b>346,158</b>	<b>39,786</b>	<b>710,853</b>	<b>167,108</b>	<b>2,306,459</b>	<b>2,774,400</b>	<b>55,644,764</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 (2022: 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\$9,783,593 as at 31 December 2023 (2022: HK\$10,199,916).

# Notes to Financial Statements

31 December 2023

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

The fair value of the carparking space with a carrying amount of HK\$2,200,000 (2022: HK\$2,000,000) was measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustments. Apart from that, the fair value of another property was 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 2023, the fair values of these properties are based on the valuations performed by Ravia Global Appraisal Advisory Limited (a member of the Hong Kong Institute of Surveyors), an independent professionally qualified valuer. The address of Ravia Global Appraisal Advisory Limited is 17/F., 83 Wan Chai Road, Wan Chai, Hong Kong.

A revaluation surplus of HK\$1,548,755 (2022: revaluation surplus of HK\$651,127) was recognised in the property revaluation reserve and in other comprehensive income for the year ended 31 December 2023.

At 31 December 2023, the Group's land and buildings with a net carrying amount of HK\$46,600,000 (2022: HK\$47,300,000) were pledged to secure general banking facilities granted to the Group, as further detailed in note 27 to the consolidated financial statements.

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

### Fair value hierarchy

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

Fair value measurement for	Fair value measurements categorised into			Total HK\$
	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
<b>31 December 2023</b>				
– Commercial – Hong Kong	–	–	46,600,000	46,600,000
– Carparking space – Hong Kong	–	2,200,000	–	2,200,000
<b>31 December 2022</b>				
– Commercial – Hong Kong	–	–	47,300,000	47,300,000
– Carparking space – Hong Kong	–	2,000,000	–	2,000,000

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during 2023 (2022: Nil).

# Notes to Financial Statements

31 December 2023

## 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 2022	48,300,000
Depreciation for the year	(1,955,740)
Gain on revaluation of land and buildings recognised in other comprehensive income	955,740
Carrying amount at 31 December 2022 and 1 January 2023	47,300,000
Depreciation for the year	(1,960,207)
Gain on revaluation of land and buildings recognised in other comprehensive income	1,260,207
Carrying amount at 31 December 2023	46,600,000

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:

	2023 HK\$	2022 HK\$
Price per square foot	17,958	18,227

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 2023

## 16. INVESTMENT PROPERTY

	2023 HK\$	2022 HK\$
Carrying amount at 1 January	10,400,000	10,900,000
Net loss from a fair value adjustment (note 6)	(1,318,400)	(500,000)
<b>Carrying amount at 31 December</b>	<b>9,081,600</b>	<b>10,400,000</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 engaged an external valuer for the valuation of the Group's property quarterly. 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 2023 based on a valuation performed by Ravia Global Appraisal Advisory Limited, an independent professionally qualified valuer, at HK\$9,081,600 (31 December 2022: HK\$10,400,000).

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

At 31 December 2023, the Group's investment property with a carrying amount of HK\$9,081,600 (2022: HK\$10,400,000) was pledged to secure general banking facilities granted to the Group as further detailed in note 27 to the consolidated 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\$	
<b>31 December 2023</b>				
– Residential – Hong Kong	–	–	9,081,600	9,081,600
<b>31 December 2022</b>				
– Residential – Hong Kong	–	–	10,400,000	10,400,000

# Notes to Financial Statements

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## 16. INVESTMENT PROPERTY (Continued)

### Fair value hierarchy (Continued)

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the years ended 31 December 2023 and 2022.

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

	Residential property HK\$
Carrying amount at 1 January 2022	10,900,000
Net loss from a fair value adjustment recognised in other income and gains in profit or loss	(500,000)
Carrying amount at 31 December 2022 and 1 January 2023	10,400,000
Net loss from a fair value adjustment recognised in other income and gains in profit or loss	(1,318,400)
Carrying amount at 31 December 2023	9,081,600

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 the investment property:

	2023 HK\$	2022 HK\$
Price per square foot	13,200	15,116

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 2023

## 17. LEASES

### The Group as a lessee

The Group has lease contracts for various items of office premises used in its operations. Leases of office premises generally have lease terms between 2 and 3 years.

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

The carrying amount of the Group's right-of-use assets (included under property, plant and equipment) and the movements during the year are as follows:

	Office premises	
	2023 HK\$	2022 HK\$
As at 1 January	2,774,400	4,074,148
Additions	1,449,081	1,404,362
Depreciation charge	(1,989,886)	(2,234,653)
Revision of a lease term arising from a change in the period of a lease	–	(234,307)
Exchange realignment	(24,284)	(235,150)
As at 31 December	2,209,311	2,774,400

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 HK\$	2022 HK\$
Carrying amount at 1 January	2,929,576	4,179,597
Additions	1,449,081	1,404,362
Accretion of interest recognised during the year	119,969	97,574
Payments	(2,151,064)	(2,263,792)
Revision of a lease term arising from a change in the period of a lease	–	(237,536)
Exchange realignment	(29,808)	(250,629)
Carrying amount at 31 December	2,317,754	2,929,576
Analysed into:		
Current portion	1,912,275	1,681,401
Non-current portion	405,479	1,248,175



# Notes to Financial Statements

31 December 2023

## 17. LEASES (Continued)

### The Group as a lessee (Continued)

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

	2023 HK\$	2022 HK\$
Interest on lease liabilities	119,969	97,574
Depreciation charge of right-of-use assets	1,989,886	2,234,653
Expense relating to short-term leases (included in other operating expenses)	203,494	213,959
<b>Total amount recognised in profit or loss</b>	<b>2,313,349</b>	<b>2,546,186</b>

### The Group as a lessor

The Group leases its investment property (note 16) which is a 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\$474,000 (2022: HK\$464,000), details of which are included in note 6 to the consolidated financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 HK\$	2022 HK\$
Within one year	300,000	279,032
After one year but within two years	279,032	–
	<b>579,032</b>	<b>279,032</b>

## 18. INTANGIBLE ASSETS

	Notes	2023 HK\$	2022 HK\$
Trading right	a	1	1
Software	b	272,764	266,080
		<b>272,765</b>	<b>266,081</b>

Notes:

- (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 an indefinite useful life because it is expected to contribute net cash inflows indefinitely.

# Notes to Financial Statements

31 December 2023

## 18. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

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

	Software HK\$
<b>31 December 2023</b>	
At 1 January 2023:	
Cost	1,723,050
Accumulated amortisation	(1,456,970)
<b>Net carrying amount</b>	<b>266,080</b>
At 1 January 2023, net of accumulated amortisation	266,080
Additions	220,000
Amortisation provided during the year	(213,316)
<b>At 31 December 2023, net of accumulated amortisation</b>	<b>272,764</b>
At 31 December 2023	
Cost	1,943,050
Accumulated amortisation	(1,670,286)
<b>Net carrying amount</b>	<b>272,764</b>
<b>31 December 2022</b>	
At 1 January 2022:	
Cost	1,503,050
Accumulated amortisation	(1,281,499)
<b>Net carrying amount</b>	<b>221,551</b>
At 1 January 2022, net of accumulated amortisation	221,551
Additions	220,000
Amortisation provided during the year	(175,471)
<b>At 31 December 2022, net of accumulated amortisation</b>	<b>266,080</b>
At 31 December 2022	
Cost	1,723,050
Accumulated amortisation	(1,456,970)
<b>Net carrying amount</b>	<b>266,080</b>

# Notes to Financial Statements

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## 19. INVESTMENTS IN A JOINT VENTURE/ASSOCIATES

### Investments in a joint venture

	2023 HK\$	2022 HK\$
Share of net assets	–	60

The amount due from a joint venture included in the Group's prepayments and other receivables totalling HK\$4,229,940 (2022: HK\$2,159,940) is unsecured, interest-free and are repayable on demand.

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
VS Fintech Holding Limited ("Fintech Holding")	Ordinary shares	Hong Kong	60	Investment holding

The Group's shareholdings in the joint venture are held through a wholly-owned subsidiary of the Company. The joint venture is accounted for using the equity method in these consolidated financial statements.

The Group owned 60% of the shares of Fintech Holding through its wholly owned subsidiary, Victory Securities Holding Limited ("**Victory (BVI)**"), and Mr. Chan Pui Chuen ("**Mr. Chan**") owns the remaining 40% of the shares of Fintech Holding. According to the shareholders' agreement (the "**Shareholders' Agreement**") entered into by the initial shareholders (Victory (BVI) and Mr. Chan) of Fintech Holding ("**Initial Shareholders**"), unless otherwise agreed by the Initial Shareholders in writing, the number of directors of the board of Fintech Holding cannot exceed two, in which Victory (BVI) and Mr. Chan is entitled to appoint one director to represent each side. The Shareholders' Agreement also states that most of the important operation and financial decisions cannot be done without the prior written approval of all the directors and Initial Shareholders of Fintech Holding. Therefore the Group considers that there is a contractual relationship with Mr. Chan with joint control of a joint arrangement but not control over Fintech Holding.

During the year ended 31 December 2022, Fintech Holding acquired 30% of the shares of Victory Fintech Company Limited ("**Victory Fintech**") from Mr. Chan via a share swap and share purchase arrangement (note 37).

# Notes to Financial Statements

31 December 2023

## 19. INVESTMENTS IN A JOINT VENTURE/ASSOCIATES (Continued)

### Investments in a joint venture (Continued)

#### Summarised financial information of a joint venture

Summarised financial information in respect of the Group's joint venture is set out below.

	Fintech Holding	
	2023 HK\$	2022 HK\$
Non-current assets	–	–
Current assets	7,050,000	4,560,000
Current liabilities	(7,059,315)	(4,559,900)
Revenue	–	–
Loss for the year	(9,415)	(4,500,000)

Reconciliation of the Group's interest in the joint venture:

	Fintech Holding	
	2023 HK\$	2022 HK\$
Net (liabilities)/assets	(9,315)	100
Proportion of the Group's ownership interest	60%	60%
The Group's share of net assets	–	60
Goodwill	–	–
Carrying amount of the Group's interest	–	60

### Investments in associates

	Fintech Holding	
	2023 HK\$	2022 HK\$
Share of net assets	953,845	554,163
Goodwill on acquisition	1,094,034	1,070,456
	2,047,879	1,624,619

The amount due from an associate included in the Group's prepayments and other receivables totalling nil (2022: HK\$575,500) is unsecured, interest-free and are repayable within one year.

# Notes to Financial Statements

31 December 2023

## 19. INVESTMENTS IN A JOINT VENTURE/ASSOCIATES (Continued)

### Investments in associates (Continued)

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Nest Asset Management Pte. Ltd. ("Nest Asset Pte")	Ordinary shares	Singapore	30	Provision of asset management services
VDX Group Limited ("VDX") <sup>#</sup>	Ordinary shares	Hong Kong	5	Investment holding

The Group's shareholdings in Nest Asset Pte are held through a wholly-owned subsidiary of the Company.

During the year ended 31 December 2022, VDX was incorporated and became the immediate holding company of Victory Fintech via a share transfer agreement entered with all existing shareholders of Victory Fintech. Including the equity interest held by Fintech Holding, the Group effectively holds 23% equity interest in VDX and the Directors consider that the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The associates are accounted for using the equity method in these consolidated financial statements.

<sup>#</sup> The Group's shareholdings in VDX Group Limited are directly held through a wholly-owned subsidiary (5%) of the Company and indirectly held through a joint venture (18%) of the Group, effectively 23%.

### Summarised financial information of associates

Summarised financial information in respect of the Group's associates is set out below.

	VDX HK\$	2023 Nest Asset Pte HK\$	Total HK\$
Non-current assets	2,225,976	77,596	2,303,572
Non current liabilities	(192,286)	(79,171)	(271,457)
Current assets	23,526,077	3,911,508	27,437,585
Current liabilities	(19,755,436)	(730,449)	(20,485,885)
Revenue	–	4,370,389	4,370,389
Loss for the year	(41,572,471)	(672,163)	(42,244,634)

# Notes to Financial Statements

31 December 2023

## 19. INVESTMENTS IN A JOINT VENTURE/ASSOCIATES (Continued)

Investments in associates (Continued)

Summarised financial information of associates (Continued)

	2022		Total HK\$
	VDX HK\$	Nest Asset Pte HK\$	
Non-current assets	2,919,531	13,984	2,933,515
Current assets	5,527,851	2,992,317	8,520,168
Current liabilities	(20,763,850)	(1,159,090)	(21,922,940)
Revenue	48,001	2,776,234	2,824,235
Loss for the year	(24,326,278)	(554,991)	(24,881,269)

Reconciliation of the Group's interest in the associates:

	2023		
	VDX HK\$	Nest Asset Pte HK\$	Total HK\$
Net assets	5,804,331	3,179,484	8,983,815
Proportion of the Group's ownership interest	5%	30%	5%–30%
The Group's share of net assets	–	953,845	953,845
Goodwill	–	1,094,034	1,094,034
Carrying amount of the Group's interest	–	2,047,879	2,047,879

	2022		
	VDX HK\$	Nest Asset Pte HK\$	Total HK\$
Net assets	(12,316,468)	1,847,211	(10,469,257)
Proportion of the Group's ownership interest	5%	30%	5%–30%
The Group's share of net assets	–	554,163	554,163
Goodwill	–	1,070,456	1,070,456
Carrying amount of the Group's interest	–	1,624,619	1,624,619

# Notes to Financial Statements

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## 20. OTHER ASSETS

	2023 HK\$	2022 HK\$
Hong Kong Securities Clearing Company Limited (“HKSCC”)		
– guarantee fund deposit	100,000	100,000
– admission fee	100,000	100,000
The Stock Exchange		
– compensation fund deposit	100,000	100,000
– fidelity fund deposit	100,000	100,000
– stamp duty deposit	75,000	150,000
Long-term prepayments	–	3,944
	<b>475,000</b>	<b>553,944</b>

## 21. ACCOUNTS RECEIVABLE

	Notes	2023 HK\$	2022 HK\$
Margin client receivables	a	139,380,062	213,074,306
Cash client receivables	b	53,145,479	29,186,649
		<b>192,525,541</b>	242,260,955
Less: Allowance for ECLs	f	(40,805,372)	(31,999,493)
		<b>151,720,169</b>	210,261,462
Clearing house receivables	c	2,098,077	9,530,507
Broker receivables	d	33,286,108	16,182,085
Placing commission receivables	e	490,628	–
Fee receivables	e	2,148,344	2,954,308
		<b>38,023,157</b>	28,666,900
Total accounts receivable		<b>189,743,326</b>	238,928,362

# Notes to Financial Statements

31 December 2023

## 21. ACCOUNTS RECEIVABLE (Continued)

Notes:

### (a) Margin client receivables

At 31 December 2023, the Group held securities (excluding bonds) with an aggregate fair value of HK\$649,428,536 (2022: HK\$968,038,197) and bonds with an aggregate fair value of HK\$6,414,416 (2022: HK\$20,731,500) 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.

Management assessed the fair value of the securities held by the Group on behalf of each individual client who had shortfall classified as stage 3 and a provision for ECL of HK\$39,337,758 was made as at 31 December 2023 (2022: provision for ECL of HK\$31,106,152).

### (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 the 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:

	2023 HK\$	2022 HK\$
Cash client receivables		
Within 2 days	46,010,738	20,892,271
Past due		
– Over 2 days but less than 1 month	636,193	1,891,664
– Over 1 month but less than 3 months	28,451	1,855
– Over 3 months but less than 12 months	229,416	1,747,394
– Over 1 years	6,240,681	4,653,465
	<b>53,145,479</b>	<b>29,186,649</b>

Management assessed the fair value of the securities held by the Group on behalf of each individual client who had shortfall classified as stage 3 and a provision for ECL of HK\$1,436,481 was made as at 31 December 2023 (2022: provision for ECL of HK\$703,617).

### (c) Clearing house receivables

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

	2023 HK\$	2022 HK\$
Clearing house receivables		
Within 2 days	2,098,077	9,530,507



# Notes to Financial Statements

31 December 2023

## 21. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

### (c) Clearing house receivables (Continued)

As at 31 December 2023, included in receivables from clearing houses was a net receivable from HKSCC of HK\$2,098,077 (2022: HK\$9,530,507), 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 39 to the consolidated financial statements.

### (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 and fee receivables are neither past due nor impaired. The ageing of these receivables based on the trade date is within one month.

### (f) Allowance for ECLs

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

	2023			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
As at 1 January 2023	120,036	69,688	31,809,769	31,999,493
Transfer to stage 1	68,076	(68,072)	(4)	–
Transfer to stage 2	(35)	35	–	–
Transfer to stage 3	(5)	(118)	123	–
Change arising from transfer of stages	95	620	86,904	87,619
Other remeasurement of loss allowance	(160,567)	1,380	8,877,447	8,718,260
<b>As at 31 December 2023</b>	<b>27,600</b>	<b>3,533</b>	<b>40,774,239</b>	<b>40,805,372</b>
Arising from:				
Margin client receivables	10,280	295	39,337,758	39,348,333
Cash client receivables	17,320	3,238	1,436,481	1,457,039
	<b>27,600</b>	<b>3,533</b>	<b>40,774,239</b>	<b>40,805,372</b>
ECLs rate				
Margin client receivables	0.01%	0.03%	73.11%	28.23%
Cash client receivables	0.10%	0.01%	19.08%	2.74%

# Notes to Financial Statements

31 December 2023

## 21. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

### (f) Allowance for ECLs (Continued)

	2022			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
As at 1 January 2022	351,058	10,319	7,938,829	8,300,206
Transfer to stage 1	30,996	(6,138)	(24,858)	–
Transfer to stage 2	(62,199)	62,199	–	–
Transfer to stage 3	(36,683)	(1,024)	37,707	–
Change arising from transfer of stages	(5,102)	7,301	4,102,687	4,104,886
Other remeasurement of loss allowance	(158,034)	(2,969)	19,755,404	19,594,401
<b>As at 31 December 2022</b>	<b>120,036</b>	<b>69,688</b>	<b>31,809,769</b>	<b>31,999,493</b>
Arising from:				
Margin client receivables	109,582	68,242	31,106,152	31,283,976
Cash client receivables	10,454	1,446	703,617	715,517
	<b>120,036</b>	<b>69,688</b>	<b>31,809,769</b>	<b>31,999,493</b>
ECLs rate				
Margin client receivables	0.07%	0.31%	73.11%	14.68%
Cash client receivables	0.19%	0.01%	8.65%	2.45%

#### Impairment under HKFRS 9 for the year ended 31 December 2023

The following significant changes in the gross carrying amounts of margin client and cash client receivables contributed to the increase in ECLs allowances during 2023:

- Transfer of client receivables of HK\$10,476,211 from stage 1 to stage 3 and HK\$562,782 from stage 2 to stage 3, resulting in an increase in ECLs allowance of HK\$86,904.

As at 31 December 2023, the stage 3 gross margin client and cash client receivables amounted to HK\$61,334,423, of which HK\$9,594,281 are those customers holding suspended securities. For the remaining balance amounting to HK\$51,740,142, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK\$4,055,300.

Other than the margin client and cash client receivables, no ECLs allowances have been provided for accounts receivable as the related ECLs allowances were immaterial.

# Notes to Financial Statements

31 December 2023

## 21. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

### (f) Allowance for ECLs (Continued)

*Impairment under HKFRS 9 for the year ended 31 December 2022*

The following significant changes in the gross carrying amounts of margin client and cash client receivables contributed to the increase in ECLs allowances during 2022:

- Transfer of client receivables of HK\$15,705,843 from stage 1 to stage 3 and HK\$7,299,520 from stage 2 to stage 3, resulting in an increase in ECLs allowance of HK\$4,102,687.

As at 31 December 2022, the stage 3 gross margin client and cash client receivables amounted to HK\$50,674,740, of which HK\$33,910,053 are those customers holding suspended securities. For the remaining balance amounting to HK\$16,764,687, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK\$2,110,265.

Other than the margin client and cash client receivables, no ECLs allowances have been provided for accounts receivable as the related ECLs allowances were immaterial.

## 22. PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2023 HK\$	2022 HK\$
Prepayments, other debtors and deposits		4,995,724	6,870,169
Due from an associate	b	–	575,500
Due from a joint venture	a	4,229,940	2,159,940
Due from a holding company	a	188,716	115,583
Due from a related company	a	1,288,000	1,230,717
		<b>10,702,380</b>	<b>10,951,909</b>

As at 31 December 2023, none of the other receivables were impaired (2022: Nil).

Notes:

- The amounts due from a joint venture, a holding company and related companies are non-trade in nature, interest-free, unsecured and have no fixed terms of repayment.
- The amounts due from an associate are non-trade in nature, interest-free, unsecured and have fixed terms of repayment within one year.

# Notes to Financial Statements

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## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023 HK\$	2022 HK\$
<b>Non-current</b>			
An unlisted investment designated at fair value through profit or loss	(i)	4,224,048	4,051,692
<b>Current</b>			
Investments designated at fair value through profit or loss:			
Listed equity securities – Hong Kong	(ii)	4,713,966	8,454,929
Other unlisted investments	(iii)	1,175,000	–
		5,888,966	8,454,929
		10,113,014	12,506,621

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

Notes:

- (i) The above unlisted investment represented an amount paid for a life insurance policy in Hong Kong. It was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

In July 2020, the Group's subsidiary, Victory Securities (HK) entered into a life insurance policy with an insurance company on Mr. Chan. Under the policy, the beneficiary and policy holder are Victory Securities (HK). Victory Securities (HK) is required to pay a single premium for the policy. Victory Securities (HK) may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of surrender, which is determined by the account value net of any surrender charge. If such surrender is made at any time during the first to the fifteenth policy year, a pre-determined specified surrender charge would be imposed. Surrender charges can be significant, especially in the early years of the policy. The policy premium expense, insurance charges and surrender charges are recognised in profit or loss. The life insurance policy carries guaranteed interest of 2.3% per annum.

Particulars of the policy are as follows:

Life insured	Insured sum	Single premium	Guaranteed interest rate
Mr. Chan	US\$1,000,000 (equivalent to HK\$7,752,850)	US\$94,102 (equivalent to HK\$729,560)	2.3% per annum

At 31 December 2023, the carrying amount of the amount paid for the life insurance policy was determined with reference to the account value as provided by the insurance company and the expected life of the policy remained unchanged from the initial recognition. The entire balance of the life insurance policy is denominated in United States dollars.

- (ii) The fair values of these listed equity investments are determined based on quoted market prices.
- (iii) It represents the non-voting preference shares issued by VDX during the year ended 31 December 2023 in exchange of the amount due from Victory Fintech. The instrument is classified as level 3 in the fair value hierarchy, and is measured based on net asset value of VDX, which approximated its fair value.

# Notes to Financial Statements

31 December 2023

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

As at 31 December 2023, listed equity securities and an unlisted investment with carrying values of HK\$3,229,936 (2022: HK\$4,063,934) and HK\$4,224,048 (2022: HK\$4,051,692) were pledged to secure banking facilities granted to the Group as further detailed in note 27 to the consolidated financial statements.

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 HK\$	2022 HK\$
Bank balances	19,405,174	27,358,379
Time deposit	4,213,523	4,041,942
Cash in hand	54,485	15,584
	23,673,182	31,415,905
Less: Pledged time deposit for bank overdraft facilities	(4,213,523)	(4,041,942)
Cash and cash equivalents	19,459,659	27,373,963
Denominated in:		
Hong Kong Dollars	9,078,080	8,786,400
Renminbi	6,747,866	15,491,517
United States Dollars	5,916,719	6,727,934
Others	1,930,517	410,054

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 three months, and earns interest at the short-term time deposit rate. The bank balances and pledged 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 2023, client money maintained in segregated accounts not otherwise dealt with in the financial statements amounted to HK\$301,591,616 (2022: HK\$493,546,124).

As at 31 December 2023, a time deposit with a carrying value of HK\$4,213,523 (2022: HK\$4,041,942) was pledged to secure banking facilities granted to the Group as further detailed in note 27 to the consolidated financial statements.

# Notes to Financial Statements

31 December 2023

## 25. ACCOUNTS PAYABLE

	2023 HK\$	2022 HK\$
Margin and cash client payables	28,237,732	14,748,813
Due to clearing houses	1,472,243	2,808,524
Broker payables	76,893	2,484,165
Insurer payables	27,887	40,730
	<b>29,814,755</b>	<b>20,082,232</b>

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, the ageing analysis does not give additional value in view of the nature of these businesses.

As at 31 December 2023, included in amounts payable to clearing houses was a net payable to HKSCC of HK\$1,472,243 (2022: HK\$2,808,524) 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 39 to the consolidated financial statements.

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

## 26. OTHER PAYABLES AND ACCRUALS

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

## 27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023 HK\$	2022 HK\$
<b>Current</b>		
Bank overdrafts – secured	6,644,487	–
Bank loans – secured	86,154,000	127,654,000
<b>Total</b>	<b>92,798,487</b>	<b>127,654,000</b>

# Notes to Financial Statements

31 December 2023

## 27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

At 31 December 2023, bank loans were secured by clients' securities and securities held by the Group amounting to HK\$71,499,165 (2022: HK\$129,696,898), an unlisted investment held by the Group amounting to HK\$4,224,048 (2022: HK\$4,051,692), a time deposit held by the Group amounting to HK\$4,213,523 (2022: HK\$4,041,942), leasehold land and buildings and the investment property of the Group with an aggregate carrying value amounting to HK\$55,681,000 (2022: HK\$57,700,000).

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 2.90% to 7.75% (2022: 1.66% to 6.08%) per annum.

## 28. PROVISIONS AND OTHER FINANCIAL LIABILITIES

	2023 HK\$	2022 HK\$
Provisions	165,212	157,746
Other financial liabilities	4,358,173	4,633,349
	<b>4,523,385</b>	<b>4,791,095</b>

The carrying amounts of the Group's provisions and the movements during the year are as follows:

	Long service payment provision HK\$
At 1 January 2022	127,410
Addition of provision	30,336
At 31 December 2022 and 1 January 2023	<b>157,746</b>
Addition of provision	7,466
At 31 December 2023	<b>165,212</b>

# Notes to Financial Statements

31 December 2023

## 28. PROVISIONS AND OTHER FINANCIAL LIABILITIES *(Continued)*

The carrying amounts of the Group's other financial liabilities are as follows:

	2023 HK\$	2022 HK\$
Liabilities:		
Derivative financial instruments – guaranteed contracts	4,358,173	4,633,349

The Group entered into loss protection discretionary account management agreements (“**guaranteed contracts**”) with 3 customers for asset management services provided during the year ended 31 December 2023 (2022: 4 customers).

## 29. BONDS ISSUED

During the year ended 31 December 2022, the Company issued 2,500,000 5% non-convertible bonds with a nominal value of HK\$2,500,000. The bonds carry interest at a rate of 5% per annum. The fair value of the non-convertible bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option.

The non-convertible bonds measured at amortised cost using the effective interest rate method at the end of the reporting period are as follows:

	2023 HK\$	2022 HK\$
As at 1 January	2,573,287	4,215,342
Additions	–	2,500,000
Redemption	(1,580,136)	(4,400,000)
Interest expense recognised during the year	86,084	257,945
As at 31 December	1,079,235	2,573,287
Classified as:		
Current liabilities	1,079,235	–
Non-current liabilities	–	2,573,287



# Notes to Financial Statements

31 December 2023

## 30. DEFERRED TAX

The movements of the deferred tax liabilities and assets for the years ended 31 December 2023 and 2022 are as follows:

### Deferred tax liabilities

	Accelerated tax depreciation HK\$	Revaluation of properties HK\$	Total HK\$
As at 1 January 2022	(809,659)	(7,327,750)	(8,137,409)
Deferred tax charged to the statement of profit or loss during the year	(110,499)	–	(110,499)
Release of deferred tax recognised in other comprehensive income	–	(107,435)	(107,435)
As at 31 December 2022 and 1 January 2023	<b>(920,158)</b>	<b>(7,435,185)</b>	<b>(8,355,343)</b>
Deferred tax charged to the statement of profit or loss during the year	(54,106)	–	(54,106)
Release of deferred tax recognised in other comprehensive income	–	(255,545)	(255,545)
Offsetting with deferred tax assets	973,284	5,626,072	6,599,356
As at 31 December 2023	<b>(980)</b>	<b>(2,064,658)</b>	<b>(2,065,638)</b>

# Notes to Financial Statements

31 December 2023

## 30. DEFERRED TAX (Continued)

### Deferred tax assets

	Losses available for offsetting against future taxable profits HK\$	Charge of allowance for ECLs for ECLs HK\$	Total HK\$
As at 1 January 2022	–	59,628	59,628
Deferred tax credited/(charged) to the statement of profit or loss during the year	2,221,382	(28,323)	2,193,059
As at 31 December 2022 and 1 January 2023	<b>2,221,382</b>	<b>31,305</b>	<b>2,252,687</b>
Deferred tax charged to the statement of profit or loss during the year	4,372,837	(26,168)	4,346,669
Offsetting with deferred tax liabilities	(6,594,219)	(5,137)	(6,599,356)
As at 31 December 2023	–	–	–

The Group has tax losses arising in Hong Kong of HK\$39,965,000 (2022: HK\$13,463,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have been recognised on the temporary differences where there will be taxable profits against which these can be offset.

# Notes to Financial Statements

31 December 2023

## 31. SHARE CAPITAL

### Shares

#### Authorised shares

As at 31 December 2023, the total number of authorised ordinary shares was 2,000,000,000 (2022: 2,000,000,000) with a par value of HK\$0.01 per share (2022: HK\$0.01 per share).

#### Issued and fully paid

	2023 HK\$	2022 HK\$
Issued and fully paid: 200,366,000 (2022: 200,042,000) ordinary shares	2,003,658	2,000,418

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 2022, 31 December 2022 and 1 January 2023		200,042,000	2,000,418
Share options exercised	a	324,000	3,240
As at 31 December 2023		200,366,000	2,003,658

Note:

- (a) The subscription rights attaching to 324,000 share options were exercised at the subscription price of HK\$2.29 per share, resulting in the issue of 324,000 shares for a total cash consideration, before expenses, of HK\$741,960. No share option reserve was transferred to share capital upon exercise of the share options.

#### Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the consolidated financial statements.

## 32. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Directors and employees of the Group. The Scheme became effective on 14 June 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

The offer of a grant of share options may be accepted within 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 to three years and ends on the expiry date of the Scheme.

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.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Scheme as an equity-settled plan.

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

# Notes to Financial Statements

31 December 2023

## 32. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the years ended 31 December 2023 and 2022:

Number of share options as at 1 January 2022	7,050,000
Forfeited during the year	(244,000)
Number of share options as at 31 December 2022 and 1 January 2023	6,806,000
Exercised during the year	(324,000)
Forfeited during the year	(95,000)
Number of share options as at 31 December 2023	6,387,000

The weighted average share price at the date of exercise for share options exercised during the year was HK\$3.65 per share (2022: No share options were exercised).

The fair value of the share options granted recognised during the year ended 31 December 2023 was Nil (2022: Nil), of which the Group recognised a share option expense of HK\$921,890 (2022: HK\$2,420,038).

The fair value of equity-settled share options granted on 30 December 2021 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	As at 30 December 2021
Expected dividend yield (%)	1.31
Expected volatility (%)	28.844
Risk-free interest rate (%)	1.238
Early exercise multiple (%)	
– Director	280
– Non-director	220
Expected life of options (years)	6.46
Time to vest (years)	1–3
Weighted average share price (HK\$ per share)	2.29

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.

## 32. SHARE OPTION SCHEME *(Continued)*

The 324,000 share options exercised during the year ended 31 December 2023 resulted in the issue of 324,000 ordinary shares of the Company and new share capital of HK\$3,240 (before issue expenses), as further detailed in note 31 to the consolidated financial statements. No share options exercised during the year ended 31 December 2022.

At the end of the reporting period, the Company had 6,387,000 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 6,387,000 additional ordinary shares of the Company and additional share capital of HK\$63,870 (before issue expenses).

## 33. SHARE AWARD SCHEME

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

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

The Board may, from time to time, at its absolute discretion select any eligible person for participation in the Award Scheme as a selected participant. Participation in the Award Scheme is limited to selected participants only. The entitlement to the awarded shares and/or the related income shall be designated by the Board at its absolute discretion. The eligibility of the eligible persons to an award of shares of the Company (together with the related income attributable to such shares, if any) to selected participants as determined by the Board pursuant to the rules of the Award Scheme shall be determined by the Board considering: (i) his/her past and future contribution to the Group; (ii) the financial condition of the Group; and (iii) the Group’s business objectives and development plan.

Subject to any early termination as may be determined by the Board, the Award Scheme shall be valid and effective for a term of ten years commencing on the adoption date (i.e. 11 August 2020) of the Award Scheme, and after the expiry of such ten years’ term no further Award may be made but the rules of the Award Scheme shall remain in full force and effect to the extent necessary to give effect to any award made prior thereto and the administration of the trust property held by the Trustee pursuant to the Trust Deed.

# Notes to Financial Statements

31 December 2023

## 33. SHARE AWARD SCHEME (Continued)

The aggregate number of shares of the Company administered under the Award Scheme and underlying all grants of shares of the Company (excluding shares of the Company where the rights to acquire them has been released or lapsed in accordance with the Scheme) made pursuant to the Award Scheme shall not exceed 10% of the Company's issued shares as at the adoption date of the Award Scheme. The maximum number of the awarded shares of the Company which may be granted to an individual selected participant shall not exceed 1% of the issued shares of the Company as at the adoption date of the Award Scheme. Where any Award is proposed to be made to any selected participant who is a connected person pursuant to the GEM Listing Rules, the aggregate number of awarded shares of the Company to the connected persons must be 30% or less of the Award Scheme limit as stated above.

Details of the Scheme are set out in the announcement of the Company dated 11 August 2020. For the purpose of the Award Scheme, the Company purchased its own ordinary shares through the Trustee as follows:

Month of purchase	Number of ordinary shares	Aggregate consideration paid HK\$
August 2020	5,980,000	7,534,800
November 2020	2,150,000	2,752,000
March 2021	6,300,000	8,190,000
	14,430,000	18,476,800

No award shares were granted for the year ended 31 December 2023 (2022: Nil).

## 34. RESERVES

The amounts of the Group's reserves and the movements for the years ended 31 December 2023 and 2022 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 Consultants Limited on 15 August 2019.

On 10 January 2023, the Group injected JPY27,750,000 (equivalent to approximately HK\$1,644,000) in cash as capital contribution into Victory Asset Management Japan Limited ("Victory Japan"), a limited liability company established in Japan. Upon the date of completion of the capital contribution, the Group's aggregate indirect equity interest in Victory Japan was increased from approximately 85.0% to approximately 89.5% accordingly.

# Notes to Financial Statements

31 December 2023

## 35. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Particulars of the subsidiary are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Victory Japan	Ordinary shares	Japan	89.5 (2022: 85)	Provision of asset management services

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	Victory Japan	
	2023 HK\$	2022 HK\$
Percentage of equity interest held by non-controlling interests	10.5%	15%
Loss for the year allocated to non-controlling interests	(109,862)	(81,574)
Dividends paid to non-controlling interests	–	–
Accumulated balances of non-controlling interests at the reporting date	97,509	49,978



# Notes to Financial Statements

31 December 2023

## 35. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

*(Continued)*

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Victory Japan	
	2023 HK\$	2022 HK\$
Revenue	125,128	36,880
Total expenses	(1,171,430)	(580,708)
Loss for the year	(1,046,302)	(543,828)
Total comprehensive loss for the year	(1,181,435)	(662,057)
Current assets	1,022,409	355,792
Non-current assets	535,835	316,803
Current liabilities	(352,097)	(17,345)
Non-current liabilities	(277,502)	(322,070)
Net cash flows used in operating activities	(829,207)	(126,605)
Net cash flows from investing activities	9	6
Net cash flows from/(used in) financing activities	1,468,140	(418,118)
Net increase/(decrease) in cash and cash equivalents	638,942	(544,717)

# Notes to Financial Statements

31 December 2023

## 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Changes in liabilities arising from financing activities

	Interest- bearing bank and other borrowings HK\$	Lease liabilities HK\$	Bonds Issued HK\$
At 1 January 2022	205,154,000	4,179,597	4,215,342
Changes from financing cash flows	(77,500,000)	(2,166,218)	(1,900,000)
Additions	–	1,404,362	–
Interest expense	4,363,952	97,574	257,945
Interest paid	(4,363,952)	–	–
Interest paid classified as operating cash flows	–	(97,574)	–
Revision of a lease term arising from a change in the period of a lease	–	(237,536)	–
Exchange realignment	–	(250,629)	–
At 31 December 2022 and 1 January 2023	<b>127,654,000</b>	<b>2,929,576</b>	<b>2,573,287</b>
Changes from financing cash flows	(41,500,000)	(2,031,095)	(1,580,136)
Additions	–	1,449,081	–
Interest expense	5,722,412	119,969	86,084
Interest paid	(5,722,412)	–	–
Interest paid classified as operating cash flows	–	(119,969)	–
Exchange realignment	–	(29,808)	–
At 31 December 2023	<b>86,154,000</b>	<b>2,317,754</b>	<b>1,079,235</b>

### (b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 HK\$	2022 HK\$
Within operating activities	323,463	311,533
Within financing activities	2,031,095	2,166,218
Total	<b>2,354,558</b>	<b>2,477,751</b>

# Notes to Financial Statements

31 December 2023

## 37. RELATED PARTY TRANSACTIONS

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

	Notes	2023 HK\$	2022 HK\$
Close family members of Directors:			
Brokerage income	a	1,082	1,938
Interest income	b	599	122
Interest expense	b	(34)	–
Key management personnel:			
Brokerage income	a	28,101	188,367
Commission expenses	a	(203,951)	(898,196)
Interest income	b	3,471,209	2,580,963
Interest expense	b	(3,400)	(3,785)
Purchase of an interest in a joint venture	d	–	(2,700,000)
Related companies:			
Victory Global Trustee			
Brokerage income	a	1,101,150	983,976
Interest income	b	166,535	94,331
Interest expense	b	(15,698)	(12,708)
Asset management fee	c	2,419,486	1,648,432
Professional fee	c	(130,000)	(130,000)
Sundry expenses	c	(1,443)	(1,876)
Victory Finance			
Gross rental income	c	174,000	174,000
Sundry income	c	126,000	120,000
Victory Corporate Solutions Company Limited			
IT expenses	c	(90,000)	(90,000)
Victory Financial Group Company Limited			
Sundry expenses	c	(120,000)	(120,000)
Spectacular Opportunity Fund SP			
Asset management fee	c	2,340,816	1,668,484
An associate:			
Nest Asset Pte			
Consultancy fee	c	(2,053,857)	(1,413,923)

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 relevant income and expenses were based on terms stipulated on the agreement entered between the contracting parties.
- (d) A consideration of HK\$2,700,000 was paid to Mr. Chan by the Group in the transaction detailed in note 19 to the consolidated financial statements

# Notes to Financial Statements

31 December 2023

## 37. RELATED PARTY TRANSACTIONS (Continued)

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

	31 December	
	2023 HK\$	2022 HK\$
Close family members of Directors:		
Accounts payable	(8,813)	(66,918)
Key management personnel:		
Accounts receivable	29,624,735	31,016,610
Accounts payable	(127,487)	(626)
Victory Global Trustee		
Accounts payable	(820,510)	(2,502,621)
Other receivables	798,707	641,550
Victory Financial Group Company Limited		
Accounts payable	(328,797)	(328,222)
Other receivables	500,000	–
Nest Asset Pte		
Other receivables	–	575,500
Fintech Holding		
Other receivables	4,229,940	2,159,940
Victory Fintech		
Other receivables	126	600,000
Victory Corporate Solutions Company Limited		
Other receivables	60,000	60,000
Dr. TT Kou's Family Company Limited		
Other receivables	188,716	115,583

The Directors 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

31 December 2023

## 38. 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 2023</b>			
Financial assets included in other assets	475,000	–	475,000
Accounts receivable	189,743,326	–	189,743,326
Financial assets at fair value through profit or loss	–	10,113,014	10,113,014
Financial assets included in prepayments and other receivables	9,620,949	–	9,620,949
Pledged deposit	4,213,523	–	4,213,523
Cash and cash equivalents	19,459,659	–	19,459,659
<b>Total</b>	<b>223,512,457</b>	<b>10,113,014</b>	<b>233,625,471</b>
	Financial assets at amortised cost HK\$	Financial assets at fair value through profit or loss HK\$	Total HK\$
<b>31 December 2022</b>			
Financial assets included in other assets	550,000	–	550,000
Accounts receivable	238,928,362	–	238,928,362
Financial assets at fair value through profit or loss	–	12,506,621	12,506,621
Financial assets included in prepayments and other receivables	9,943,469	–	9,943,469
Pledged deposit	4,041,942	–	4,041,942
Cash and cash equivalents	27,373,963	–	27,373,963
<b>Total</b>	<b>280,837,736</b>	<b>12,506,621</b>	<b>293,344,357</b>

# Notes to Financial Statements

31 December 2023

## 38. 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\$	Financial liabilities at fair value through profit or loss HK\$	Total HK\$
<b>31 December 2023</b>			
Accounts payable	29,814,755	–	29,814,755
Financial liabilities included in other payables and accruals	5,052,014	–	5,052,014
Interest-bearing bank and other borrowings	92,798,487	–	92,798,487
Lease liabilities	2,317,754	–	2,317,754
Provisions and other financial liabilities	–	4,358,173	4,358,173
Bonds issued	1,079,235	–	1,079,235
<b>Total</b>	<b>131,062,245</b>	<b>4,358,173</b>	<b>135,420,418</b>

	Financial liabilities at amortised cost HK\$	Financial liabilities at fair value through profit or loss HK\$	Total HK\$
<b>31 December 2022</b>			
Accounts payable	20,082,232	–	20,082,232
Financial liabilities included in other payables and accruals	10,071,303	–	10,071,303
Interest-bearing bank and other borrowings	127,654,000	–	127,654,000
Lease liabilities	2,929,576	–	2,929,576
Provisions and other financial liabilities	–	4,633,349	4,633,349
Bonds issued	2,573,287	–	2,573,287
<b>Total</b>	<b>163,310,398</b>	<b>4,633,349</b>	<b>167,943,747</b>

# Notes to Financial Statements

31 December 2023

## 38. 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, bank borrowings and bonds issued. The Group has various other financial assets and liabilities such as other assets, financial assets included in prepayments and other receivables, derivative financial instruments 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 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 2023, 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\$2,000 (2022: HK\$7,000), 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 bearing interest at variable rates which are collateralised by margin clients' securities to mitigate the cash flow interest risk.

At 31 December 2023, 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\$1,226,000 (2022: HK\$1,538,000).

## 38. 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\$506,000 for the year ended 31 December 2023 (2022: HK\$625,000).



# Notes to Financial Statements

31 December 2023

## 38. 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 LTV and past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023. The amounts presented are the carrying amounts of margin client and cash client receivables.

31 December 2023

	12-month ECLs		Lifetime ECLs		Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Simplified approach HK\$	
Margin client receivables					
– LTV larger than 100%	4,647,397*	–	14,467,570	–	19,114,967
– LTV between 80% and 99%	3,896	430,708	–	–	434,604
– LTV between 70% and 79%	–	678,011	–	–	678,011
– LTV between 60% and 69%	3,335,847	–	–	–	3,335,847
– LTV less than 60%	76,468,300	–	–	–	76,468,300
	84,455,440	1,108,719	14,467,570	–	100,031,729
Cash client receivables					
– Not past due	599,616	1,598	88,080	–	689,294
– Less than 30 days past due	7,460,621	3,979,597	585,495	–	12,025,713
– 30 days to 90 days past due	7,730	6,151,536	26,932	–	6,186,198
– More than 90 days past due	9,993,581	17,401,548	5,392,106	–	32,787,235
	18,061,548	27,534,279	6,092,613	–	51,688,440
	102,516,988	28,642,998	20,560,183	–	151,720,169

\* 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.

# Notes to Financial Statements

31 December 2023

## 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(Continued)

(b) Financial risk factors (Continued)

(ii) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

31 December 2022

	12-month ECLs		Lifetime ECLs		Total HK\$
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$	HK\$	HK\$	HK\$	
Margin client receivables					
- LTV larger than 100%	9,109,807*	-	11,438,308	-	20,548,115
- LTV between 80% and 99%	7,589,777	11,852,035	-	-	19,441,812
- LTV between 70% and 79%	2,494,580	1,451,483	-	-	3,946,063
- LTV between 60% and 69%	24,495,952	-	-	-	24,495,952
- LTV less than 60%	104,781,694	8,576,694	-	-	113,358,388
	148,471,810	21,880,212	11,438,308	-	181,790,330
Cash client receivables					
- Not past due	1,684,914	-	102,150	-	1,787,064
- Less than 30 days past due	3,691,583	247,458	1,462,097	-	5,401,138
- 30 days to 90 days past due	-	457,164	-	-	457,164
- More than 90 days past due	-	14,963,352	5,862,414	-	20,825,766
	5,376,497	15,667,974	7,426,661	-	28,471,132
	153,848,307	37,548,186	18,864,969	-	210,261,462

\* 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 2023

## 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

*(Continued)*

### (b) Financial risk factors *(Continued)*

#### (ii) Credit risk *(Continued)*

##### Maximum exposure and year-end staging *(Continued)*

In order to mitigate 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 21 to the consolidated 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 consider that the Group's credit risk is effectively controlled and significantly reduced to an acceptable level.

##### Concentration risk of accounts receivable with credit risk exposure

At 31 December 2023, the Group had concentration of credit risk on accounts receivable, where 31% (2022: 25%) of the total accounts receivable were due from the five largest customers (excluding brokers) and 5% (2022: 4%) of the total accounts receivable were due from a broker. 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 2023, the Group's available unutilised bank overdrafts and revolving loan facilities aggregated to approximately HK\$271,355,513 (2022: HK\$346,500,000).

# Notes to Financial Statements

31 December 2023

## 38. 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 year.

	Total carrying amount HK\$	Total contractual undiscounted cash flow HK\$	On demand or within one year HK\$	Over one year HK\$
<b>31 December 2023</b>				
Accounts payable	29,814,755	29,814,755	29,814,755	–
Other payables and accruals	5,052,014	5,052,014	5,052,014	–
Interest-bearing bank and other borrowings	92,798,487	93,270,351	93,270,351	–
Lease liabilities	2,317,754	2,402,257	1,985,244	417,013
Provisions and other financial liabilities	4,358,173	4,358,173	4,358,173	–
Bonds issued	1,079,235	1,100,000	1,100,000	–
<b>Total</b>	<b>135,420,418</b>	<b>135,997,550</b>	<b>135,580,537</b>	<b>417,013</b>
	Total carrying amount HK\$	Total contractual undiscounted cash flow HK\$	On demand or within one year HK\$	Over one year HK\$
<b>31 December 2022</b>				
Accounts payable	20,082,232	20,082,232	20,082,232	–
Other payables and accruals	10,071,303	10,071,303	10,071,303	–
Interest-bearing bank and other borrowings	127,654,000	127,858,877	127,858,877	–
Lease liabilities	2,929,576	3,046,811	1,771,499	1,275,312
Provisions and other financial liabilities	4,633,349	4,633,349	4,633,349	–
Bonds issued	2,573,287	2,750,000	125,000	2,625,000
<b>Total</b>	<b>167,943,747</b>	<b>168,442,572</b>	<b>164,542,260</b>	<b>3,900,312</b>

# Notes to Financial Statements

31 December 2023

## 38. 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 and 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.

# Notes to Financial Statements

31 December 2023

## 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(Continued)

### (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:

Asset for which fair values are disclosed:

Fair value measurement for	Fair value measurements categorised into			Total HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
<b>31 December 2023</b>				
– Financial assets at fair value through profit or loss	4,713,966	4,224,048	1,175,000	10,113,014
<b>31 December 2022</b>				
– Financial assets at fair value through profit or loss	8,454,929	4,051,692	–	12,506,621

Liabilities for which fair values are disclosed:

Fair value measurement for	Fair value measurements categorised into			Total HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
<b>31 December 2023</b>				
– Provisions and other financial liabilities	–	–	(4,358,173)	(4,358,173)
<b>31 December 2022</b>				
– Provisions and other financial liabilities	–	–	(4,633,349)	(4,633,349)

# Notes to Financial Statements

31 December 2023

## 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(Continued)

### (d) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (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 for both financial assets and financial liabilities (2022: Nil).

#### (ii) The movement in fair value measurements within Level 3 during the years ended 31 December 2023 and 2022 is as follows:

<b>Financial liabilities</b>	<b>HK\$</b>
<i>Derivative financial instruments</i>	
At 1 January 2022	2,533,086
Losses recognised in the statement of profit or loss included in revenue Settlements	2,692,995 (592,732)
At 31 December 2022 and 1 January 2023	4,633,349
Losses recognised in the statement of profit or loss included in revenue Settlements	201,419 (476,595)
At 31 December 2023	4,358,173

Significant unobservable valuation inputs for the fair value measurement of the derivative financial instruments include the volatility of the assumed discretionary account investment portfolio. 10% of increase/decrease in fair value of the underlying assets held in the investment portfolio would decrease/increase the fair value of the liabilities of the derivative financial instruments by approximately HK\$1,255,000 (2022: HK\$1,365,000).

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

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

# Notes to Financial Statements

31 December 2023

## 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(Continued)

### (d) Fair value measurement (Continued)

#### (iv) Fair value of bonds issued not measured at fair value

The following table sets out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

	Carrying value HK\$	Fair value HK\$
<b>31 December 2023</b>		
Financial liabilities		
Bonds issued (note 29)	1,079,235	996,947
<b>31 December 2022</b>		
Financial liabilities		
Bonds issued (note 29)	2,573,287	2,481,485

The fair value of bonds issued has been calculated by discounting the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities.

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Fair value measurement for	Fair value measurements categorised into			Total HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
<b>31 December 2023</b>				
– Bonds issued	–	(996,947)	–	(996,947)
<b>31 December 2022</b>				
– Bonds issued	–	(2,481,485)	–	(2,481,485)



# Notes to Financial Statements

31 December 2023

## 39. 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.

	Gross amount of recognised financial assets HK\$	Gross amount of recognised liabilities offset in the statement of financial position HK\$	Related amounts not offset in the statement of financial position  Net amount of financial assets presented in the statement of financial position HK\$	Cash collateral received HK\$	Net amount HK\$
<b>As at 31 December 2023</b>					
Account receivable due from a clearing house	14,833,217	(12,735,140)	2,098,077	–	2,098,077
<b>As at 31 December 2022</b>					
Account receivable due from a clearing house	30,238,219	(20,717,712)	9,530,507	–	9,530,507

# Notes to Financial Statements

31 December 2023

## 39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	Gross amount of recognised financial assets offset in the statement of financial position HK\$	Gross amount of recognised financial liabilities offset in the statement of financial position HK\$	Related amounts not offset in the statement of financial position  Net amount of financial liabilities presented in the statement of financial position HK\$	Cash collateral pledged HK\$	Net amount HK\$
<b>As at 31 December 2023</b>					
Account payable due to a clearing house	14,207,383	(12,735,140)	1,472,243	-	1,472,243
<b>As at 31 December 2022</b>					
Account payable due to a clearing house	23,516,236	(20,707,712)	2,808,524	-	2,808,524

# Notes to Financial Statements

31 December 2023

## 40. 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:

	2023 HK\$	2022 HK\$
<b>NON-CURRENT ASSET</b>		
Investment in a subsidiary	386,175	386,175
Other assets	–	3,945
<b>Total non-current assets</b>	<b>386,175</b>	<b>390,120</b>
<b>CURRENT ASSETS</b>		
Prepayments and other receivables	255,205	153,757
Due from subsidiaries	48,019,415	47,410,255
Due from a related company	1,287,874	630,717
Bank balances	115,862	61,098
<b>Total current assets</b>	<b>49,678,356</b>	<b>48,255,827</b>
<b>CURRENT LIABILITIES</b>		
Other payables and accrual	315,000	334,500
Due to subsidiaries	18,516,426	14,187,766
Bonds issued	1,079,235	–
<b>Total current liabilities</b>	<b>19,910,661</b>	<b>14,522,266</b>
<b>NET CURRENT ASSETS</b>	<b>29,767,695</b>	<b>33,733,561</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>30,153,870</b>	<b>34,123,681</b>
<b>NON-CURRENT LIABILITIES</b>		
Bonds issued	–	2,573,287
<b>Net assets</b>	<b>30,153,870</b>	<b>31,550,394</b>
<b>EQUITY</b>		
Share capital	2,003,658	2,000,418
Share premium	54,463,485	53,724,765
Share option reserve	3,341,928	2,420,038
Shares held under share award scheme	(18,476,800)	(18,476,800)
Accumulated losses	(11,178,401)	(8,118,027)
<b>TOTAL EQUITY</b>	<b>30,153,870</b>	<b>31,550,394</b>

# Notes to Financial Statements

31 December 2023

## 41. RESERVES OF THE COMPANY

A summary of the Company's reserves is as follows:

	Share premium HK\$	Share option reserve HK\$	Shares held under the share award scheme HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2022	53,724,765	–	(18,476,800)	(5,131,771)	30,116,194
Profit and total comprehensive income for the year	–	–	–	1,839,656	1,839,656
Equity-settled share option arrangements	–	2,420,038	–	–	2,420,038
Interim dividend	–	–	–	(1,856,120)	(1,856,120)
Final dividend	–	–	–	(2,969,792)	(2,969,792)
As at 31 December 2022 and 1 January 2023	53,724,765	2,420,038	(18,476,800)	(8,118,027)	29,549,976
Profit and total comprehensive income for the year	–	–	–	651,866	651,866
Issue of shares	738,720	–	–	–	738,720
Equity-settled share option arrangements	–	921,890	–	–	921,890
Interim dividend	–	–	–	(1,484,896)	(1,484,896)
Final dividend	–	–	–	(2,227,344)	(2,227,344)
As at 31 December 2023	54,463,485	3,341,928	(18,476,800)	(11,178,401)	28,150,212

## 42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 14 March 2024.

## FINANCIAL SUMMARY

RESULTS	For the year ended 31 December				2023 HK\$
	2019 HK\$	2020 HK\$	2021 HK\$ (Restated)	2022 HK\$	
Revenue	62,233,524	80,554,913	102,177,754	77,107,175	54,966,084
Profit/(loss) before tax	9,376,643	26,633,452	17,373,967	(26,309,210)	(29,372,237)
Income tax (expense)/credit	38,013	(3,449,936)	(2,322,068)	2,065,204	4,292,563
<b>Profit/(loss) for the year</b>	<b>9,414,656</b>	<b>23,183,516</b>	<b>15,051,899</b>	<b>(24,244,006)</b>	<b>(25,079,674)</b>
Profit/(loss) for the year attributable to:					
Owners of the parent	9,414,656	23,183,516	15,108,225	(24,162,432)	(24,969,812)
Non-controlling interests	–	–	(56,326)	(81,574)	(109,862)
	9,414,656	23,183,516	15,051,899	(24,244,006)	(25,079,674)
ASSETS AND LIABILITIES	As at 31 December				2023 HK\$
	2019 HK\$	2020 HK\$	2021 HK\$ (Restated)	2022 HK\$	
Total assets	310,349,409	501,673,931	496,547,444	365,420,663	300,754,208
Total liabilities	104,973,030	292,732,071	280,604,092	176,456,836	137,651,268
<b>Net assets</b>	<b>205,376,379</b>	<b>208,941,860</b>	<b>215,943,352</b>	<b>188,963,827</b>	<b>163,102,940</b>
Equity attributable to owners of parent	205,376,379	208,941,860	215,794,066	188,913,849	163,005,431
Non-controlling interests	–	–	149,286	49,978	97,509
	205,376,379	208,941,860	215,943,352	188,963,827	163,102,940